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“We would like to thank all of our family members, customers and business partners for their invaluable contributions in the formation of this innovation factory, where new ideas spring to life and turn into success stories.”

PREFACE

Over the last 7 years, we have emerged as the bank of innovations in Turkey, thanks to our restructuring program, “New Generation Banking”. These innovations ensured unique financial achievements. We have never tried to chase what has already been done. We position ourselves as a unique organisation, an “Innovation Factory”, which perceives and realizes things that others’ cannot, and in which brilliant ideas are brought to life by intelligent construction. Excitement, dynamism, and the urge to succeed never diminish, and the desire to ever outdo ourselves never vanishes.

We laid our factory’s foundation in line with the fluctuant world dynamics. The essence of new generation banking is the changing business models in the world, the integration into consumers’ changing lifestyles, the design works that will capture today, not always striving for genius, but also partaking in the normal, the skill of combining fiction and practice as well as not to fall in love with what we have succeeded, but to believe in making it better. Our fundamental success in this process is taking action by interpreting the needs compiled and shaped by the change. We are not genius, but the ability to assess the market and to embrace the trend, makes us successful.

We have generated beneficial products and services for our customers, business partners, family members, and most importantly for our country. We have not rested on our laurels due to the unprecedented results we have achieved. On the contrary, such results have become the basis for future innovations that we will be implemented in the upcoming periods as a young corporation. 77-fold growth in 7 years, becoming one of the top 10 banks in the sector in profitability, a dozens of international awards, countless innovations and firsts, and overseas subsidiaries are among the natural outcomes of this process.

Right now we are at the maturing stage of this program. We chase up new products and platforms, which will meet the changing needs of the market. We will achieve these without the need for incredible growth, and without being exposed to the reflex erosions brought about by growth. In 2014, our factory’s production lines will keep turning out new products and 2014 will be a year of the success in profitability, innovation, efficiency and contribution for the economy with brand new projects.

FINANCIAL OUTPUTS OF THE INNOVATION FACTORY

Turkey’s  
**largest**  
privately owned investment bank

One of the  
**top 10**  
banks in terms of profitability

Return on Assets of  
**2.91%**

Return on Equity of  
**19.40%**

**77-fold**  
growth in 7 years

Asset size worth  
**5.1 billion**

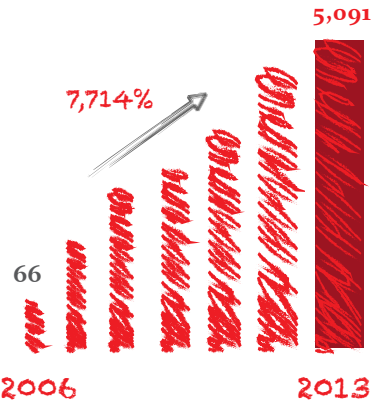
In the last year

Capital increase amounting to  
**TRY 467 million**

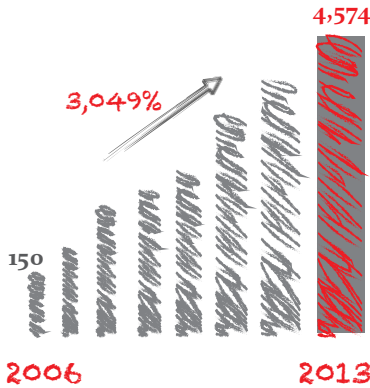
Net Profitability worth  
**TRY 125 million**

**45%**  
asset growth

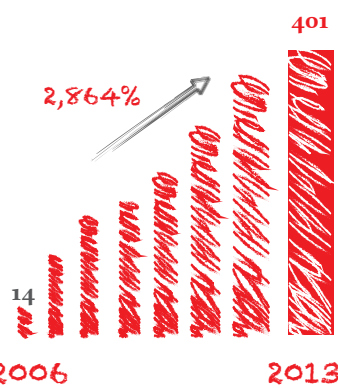
Total Assets  
(million TL)



Credits  
(million TL)



Income  
(million TL)





Aktif Bank is Turkey's largest privately owned investment bank. This is a brand new banking story in Turkey, by means of the business model, **"New Generation Banking"** and is presently worth TRY 11.2 billion along with its affiliated financial institutions. Furthermore, the Bank has also become one of the most profitable financial institutions in the country, thanks to thousands of touch points reaching customers without opening branches. According to 2013 year-end data, the Bank managed to generate profitability figures far above the averages of both the Turkish Banking Sector and the financial institutions on a global scale, with an ROAA of **2.91%** and an ROAE of **19.40%**.

While retail banking, investment banking and regional banking compose the axis of Aktif Bank's operations, the Bank also provides an extensive range of services to customers through its subsidiaries, operating in a variety of fields. This comprehensive and visionary aspect prompts Aktif Bank not to position itself just as a bank in essence, but to cover a broader perspective and build its business model within this framework.

Since 2007, when Aktif Bank entered into a phase of restructuring, the Bank has reached the maximum size set by the capital adequacy requirements in each year, and **has grown 77-fold** in total. According to 2013 year-end figures, this growth rate has moved the Bank's rank in asset size from 41<sup>st</sup> place to 24<sup>th</sup> in 7 years. The Bank, without opening branches, has become an institution that offers products and services over almost **9,000** touch points, providing hundred thousands of loans, and executes millions of money transfers, insurance and collection transactions. Aktif Bank, however, considers such volumes as just a beginning, and believes that in the upcoming years it will reach even higher levels. **The fundamental focus of the Bank is profitability rather than solely impressive growth rates.** The employees, aiming to create the most profitable bank in the world through an innovative approach and enterprising business culture, achieved a significant feat while pushing the Bank's rank in profitability from 36<sup>th</sup> place to 9<sup>th</sup> place in a short period of 7 years. During the last 5 years, the Bank has improved its profitability around 50% each year. Aktif Bank has made new investments in numerous business lines in recent years, and now the Bank experiences a period which the profitability contributions of these investments will realize. Thus, the profitability performance of Aktif Bank, which is above sector averages, is expected to continue on an upward trend.

Moreover, based on its investment banking perspective, Aktif Bank prioritizes the design of investment products covering all the needs of investors and develops significant return opportunities for them. Within this scope, the Bank has pioneered the sector in many products, and has introduced various new investment instruments to investors in terms of both conventional and Islamic Finance models.

Aktif Bank has become Turkey's most internationally awarded institution, not only for its success in terms of figures, but also for the performance it has shown in products, services and **innovation through its world-wide payment systems, technology, quality, innovation, investment products, distribution channels and communication.** The Bank has been granted **55 awards** in total, including **"The World's Most Innovative Bank"**, from major international contests, such as Financial World Innovation, EFMA, Paybefore, VRL Financial, and Global Banking&Finance Review. While such awards have swelled our country's banking and finance sector with pride, they also set forth Turkey's difference and innovative understanding. Aktif Bank has been cited as a case study in the book called "Financial Services Marketing", which was published in the USA this year.



## LOCAL, GLOBAL

## OUR VISION

"Local, Global"

Our vision is to become a leading financial services group not only in Turkey but also in the region. Our products and services, management structure and work flow are all based around this global vision. Our organizational structure embraces opportunities and risks that enable us to become "local" in a range of geographical locations.



## OUR BELIEF

## WE BELIEVE;

- that intelligent work brings instantaneous success while smart work brings sustainable success,
- in the importance of consultation mechanisms and the power of common sense,
- that greed is harmful where ambition is useful,
- not in the glance of opportunities but in the guidance of our conscience,
- that our ambition of sustainable learning, and developing learning resources, will keep us energetic and young,
- that the well planned application phase is the last stop before success,
- that each of our local and global customers is our respectable asset,
- that remembering to be thankful brings wealth,
- that we will create for our customers experiences which will make them believe that they are working with a smart company at each interaction,
- that everything can be achieved when one believes in it!



## RATIONAL

## OUR MISSION

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



## RESULT ORIENTED

## OUR PROMISE

The Aktif Bank family is the most valuable resource and the guarantee of our brand. We support smart, result oriented, ambitious and positive people who produce and apply business setups with solid strategic bases.

We offer a well-paying business climate which appreciates diversity, encourages leadership, and prefers common sense and consultation based on cooperation.

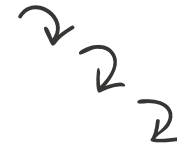




## FINANCIAL INDICATORS



	2013	2012	Change %
Balances With Banks & Money Market Placements	82,873	16,155	412.99%
Trading Securities (Net)	6,248	4,726	32.20%
Investment Securities (Net)	644,789	571,521	12.82%
Loans & Factoring Receivables (Net)	3,578,891	2,365,018	51.33%
Financial Lease Receivables (Net)	1,252	1,542	-18.81%
Shareholders' Equity	834,254	458,292	82.04%
Total Assets	5,091,357	3,517,595	44.74%
Guarantees and Indemnities	993,470	1,135,133	-12.48%
Net Interest Income	271,512	142,748	90.20%
Net Fee and Commission Income	78,390	47,768	64.11%
Profit Before Taxes	162,162	117,708	37.77%
Provision For Taxes On Income	-36,765	-22,664	62.22%
<b>Net Profit</b>	<b>125,397</b>	<b>95,044</b>	<b>31.94%</b>



## PERFORMANCE RATIOS

	2013	2012
Capital Adequacy Standard Ratio	13.23%	12.34%
Return On Average Equity	19.40%	23.57%
Return On Average Assets (Profit Before Tax Basis)	3.77%	3.88%
Return On Average Assets (Net Profit Basis)	2.91%	3.13%
Net Fee and Commission Income / Operating Costs	32.79%	46.14%
Fixed Assets (Net) / Average Equity	33.85%	6.62%
Non-Performing Loans / Total Loans	2.46%	0.68%
Interest Incomes / Interest Expenditures	211.51%	175.50%
Yielding Assets / Total Assets	84.73%	84.12%



## 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 2013, JCR-Eurasia Rating has raised Aktif Yatırım Bankası A.Ş.'s Long Term National Scale note two notches from 'A+' (Trk) to 'AA (Trk)' and affirmed its 'Stable' outlook. Long Term International and International Local, Local Currency notes have been assigned at the country ceiling of "BBB-" meaning investment grade.

## CAPITAL AND SHAREHOLDING STRUCTURE

The Bank's main shareholders and capital structure as of December 31, 2013 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 Enerji Elektrik Üretim San. ve Tic. A.Ş.	472	0.07	472	-
İrmak Enerji Elektrik Üretim Madencilik San. ve Tic. A.Ş.	472	0.07	472	-
<b>Total</b>	<b>697,085</b>	<b>100.00</b>	<b>697,085</b>	<b>-</b>





Aktif Bank, with the restructuring process since 2007, has brought many products and services to our country based on its business model called “**New Generation Banking**”. The Bank continued to pioneer innovations in 2013 as well.

Thanks to KreAktif®, Aktif Bank online loan system, total credit of TRY 1,825 billion was disbursed to almost 255,000 customers from the contracted dealers in 2013. Furthermore, through the successfully implemented “shop in shop” model, the Bank has become Turkey’s 13<sup>th</sup> largest bank in terms of consumer loans.

In 2013, strategic partnerships were established with Turkey's leading brands in **consumer finance**, which is the primary financing method used in Europe for many years, and the required infrastructure for high volume and quality consumer finance portfolio has been set up. The loan application system, supported by a cutting edge technological infrastructure, enabled Aktif Bank to reach customers at **more than 2,000** dealers, operating in many sectors, and the Bank has become a valuable business partner for retailers based on its instant loan facility.

In 2010, Aktif Bank founded Universal Payment Transfer® (UPT®), which is the cheapest and the most widespread money transfer system in Turkey. Through UPT®, Turkey's first and only domestic money transfer brand, 4,700 PTT offices were integrated with the Turkish banking sector and almost 500,000 money transfers were wired in 2013. These volumes have made UPT® Turkey's most widespread transfer system, both domestically and internationally.

Offering a new banking model by taking into account the developing information technologies and changing customer tendencies, Aktif Bank implemented Aktif Nokta®, the interactive marketing, sales and communication platform, which enables customers to obtain an array of services ranging from catalogue product sales to ticket purchase, charging public transportation cards, collection of bills such as electricity,

water, natural gas and phone, insurance applications, and GSM top-up via the Bank's physical channels at a widespread range of neighbourhoods. At Aktif Nokta® points, customers can execute the transactions in a fast and practical way, without waiting in a queue. The project has been approved and granted in support scope by Tübitak's (Scientific and Technological Research Council of Turkey) Technology and Innovation Support Program Department (TEYDEB) and put in the service of small enterprises. Aktif Nokta® achieved 800,000 monthly transactions in 73 cities, with 2,550 dealers and has attracted attention in the international arena, and the project was awarded with the grand prize in the competition organised by the European Financial Management Association (EFMA) – one of the most prominent institutions of the finance and banking sector in the European Union.

In 2013, the Bank formed a **network composed of 300 points**, which enables subscribers in Istanbul to pay their bills from a single centre. Through the network, subscribers have the opportunity to make their payments securely and time-efficiently, without going to different collection offices of the related institutions. Aktif Bank is ranked as the **leading bank** based on the number of bills collected from İSKİ (Istanbul Water and Sewerage Administration), İGDAŞ (Istanbul Gas Distribution Industry and Trade Inc.), BEDAŞ (Boğaziçi Electricity Distribution Inc.), AYEDAŞ (Anatolian Side Electricity Distribution Inc.) and TTNET.

Within the scope of the e-ticket project conducted with the Turkish Football Federation, Aktif Bank commenced working for **PassoLig prepaid, debit and credit cards**. PassoLig cards will enable millions of football fans to enter football stadiums securely and easily and will play an essential role in individuals' lives in the future as access cards to sports and entertainment events.

In 2013, Aktif Bank continued innovations in corporate banking by implementing creative solutions similar to retail banking.







As the first bank to bring the products of the Islamic Trade Finance Corporation (ITFC), which operates within the body of the Islamic Development Bank (IDB), Aktif Bank has mediated new transactions in the area of Structured Commodity Finance in 2013. Since 2011, Aktif Bank has been insuring trade receivables and providing fund support to customers through the insurance policy with Euler Hermes, Coface and ICIEC with “Credit Insurance Financing (KSF)” product, and has been awarded in 2013.

Strategic collaborations were established with ICD, which finances private sector investments and operates within the body of the Islamic Development Bank (IDB), and Islamic Leasing Companies (Ijara) were established in Tataristan and Kazakhstan.

Moreover, in 2013, the Bank broke new ground in the Islamic financing area by mediating metal buy-sell transactions on behalf of foreign financial institutions for the first time, through the murabaha funding model.

Another project that the Bank implemented in the corporate banking area is the Arge Finans (R&D Financing) Program. Within the scope of this program, the application and obtaining the Letter of Guarantee process that entrepreneurs need for TÜBİTAK/TEYDEB prepayments have been carried on a web-based, smart and user friendly platform and an infrastructure which is capable of serving many customers simultaneously has been created.

The absence of “revenue sharing loan models”, “risk capital” and “venture capital”, and hybrid models which is caused by the conventional nature of the Turkish banking sector was noticed and a number of projects were implemented especially in real estate, mining and technology areas in order to fill the gap.

The total issuance volume of Aktif Bono® has reached TRY 10.3 billion, offering high revenue and flexible payment terms, as of end-2013. The first Asset-Backed Security (ABS) issuance done by Turkey’s first Asset Finance Fund (AFF) established by Aktif Bank, valued at TRY 187 million on October 20, 2011 has reached TRY 1.4 billion as of end-2013 and drew great interest from the Turkish Capital Markets, primarily by insurance and portfolio management companies.

Aktif Bank issued Turkey’s first Islamic debt instrument on the Istanbul Stock Exchange, thanks to the expertise in the areas of structured finance and capital markets, in June 2012. Moreover, the Bank leads the Turkish markets in terms of applying Islamic finance models in project finance area and two lease certificates were issued in May and November 2013 representing an asset pool worth TRY 200 million in total.

Reaching more than 500 correspondent banks in 92 countries during 2013, it further spread its connection network within the field. In parallel with Regional Banking approach, the Bank maintains its activities in the Balkans through the subsidiary corporation BKT.

In 2013, JCR-Eurasia Rating has raised Aktif Yatırım Bankası A.Ş.’s Long Term National Scale note two notches from ‘A+ (Trk)’ to ‘AA (Trk)’ and affirmed its ‘Stable’ outlook. Long Term International and International Local, Local Currency notes have been assigned at the country ceiling of “BBB-“ meaning investment grade.

#### AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND BASIS FOR AMENDMENTS

Article 7 of the Articles of Association regarding the Bank’s capital was amended at the Extraordinary General Assembly meeting held on June 21, 2013 with respect to the increase of the Bank’s paid in capital by TRY 357,085,477 from TRY 230,000,000 to TRY 587,085,477.

Article 7 of the Articles of Association regarding the Bank’s capital was amended at the Extraordinary General Assembly meeting held on September 17, 2013 with respect to the increase of the Bank’s paid in capital by TRY 110,000,000 from TRY 587,085,477 to TRY 697,085,477.

## ÇALIK HOLDING

### Çalık Holding is Growing with Innovative Business Model

Çalık Holding was founded in 1981 by Mr. 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, telecommunication, textile, construction, finance and mining sectors.

As one of Turkey’s largest industrial organisations, Çalık Holding employs almost 20,000 people in 17 countries. While the Group is among the pioneering Turkish investors in Central Asia, the Balkans, the Middle East and Africa, its annual consolidated size of assets stood at USD 7.5 billion.

The Group which demonstrated a steady growth both in Turkey and abroad, since its date of establishment acquired Albtelecom, the fixed telephone operator and internet provider in Albania in 2007, Yeşilirmak Electricity Distribution Company YEDAŞ, which is the electricity distributor for five major Turkish cities, in 2010, Kosovo Electricity Distribution Company in 2012, and ARAS EDAS, electricity distributor for 7 Turkish cities, in 2013.

The Energy Group, within the body of Çalık Holding, maintained its business volume in 2013 as well, with its reliability in the world’s energy sector, through its business sense differing 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. In 2013, Çalık Energy became the biggest EPC contractor in Georgia thanks to the Gardabani project. In the same year, 2 power plants with a total capacity of 2,000 MW were completed in Iraq. The Company also continued the construction of 3 power plants that it had commenced in the Turkmenistan cities of Ahal, Lehap and Mari, and it signed further contracts for 2 new power plants in Ahal and Derweze and completed the Adacami HES Project in Rize in the same year.

Gap Construction undertook the EPC construction business of the “Türkmenbaşı International Sea Port” which is designed as a logistics centre along the route lying from Asia to Europe, and is composed of 6 ports and 1 shipyard, with a project value worth USD 1.5 billion. Çalık Real Estate, operating in land improvement and urban renewal projects within the body of Çalık Group, won the grand prize with its “Tarlabası 360” project, in the category of ‘Urban Renewal’, at the “European Property Awards 2013”, the most prestigious real estate awards in Europe.

Initiating its projects in the light of its proven strategies, Çalık Holding’s subsidiary in the mining sector, Lidya Mining, has raised its share in Polimetal Mining, in which it held 50% of the shares along with Alacer Gold, to 80% in 2013. Again in the same year, the gold production in ‘Çöpler Gold Mine’, which belongs to Anagold, the partner of Lidya Mining, rose by 43% compared to the previous year, exceeding 270,000 ounces.

On the other hand, the Group sold Turkuvas Media Group in accordance with its strategy of focusing on the main business lines.

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



Dear Shareholders,

While the stagnation in the global economy gradually loses its effect; the demographic transformation, the flow of the global economic power, accelerating urbanisation, climate change and impressive developments in technology and innovation which will leave its mark on the future of the global economy, are to create new fundamental trends. These trends have become more significant than ever in determining the right route. As for Turkey, it takes firm steps to strengthen its place among the developing economies. The country is in an enviable position of attracting the attention of the whole world in terms of the growth potential and opportunities it harbours. Finding ways of turning these trends to our advantage will play a key role in securing Turkey's and Turkish companies' sustainable growth.

A company that is at peace with its environment and employees, considering its social shareholders as a complementary part of the work it performs and able to abide by 'Corporate Governance' principles, will continue to generate key difference on the way to sustainability.

Aktif Bank, our pride in the banking sector, has become the brand of innovation and dynamism in the Turkish banking sector by means of its 'New Generation Banking' business model, as well as the instruments it has introduced to the market. Aktif Bank continues to reinforce its **leading position** in profitability, innovation and the service it provides to the national economy. Over the last 7 years, the Bank has reached a position where it creates value for the shareholder, fulfils its corporate citizenship duties, and is respected in the sector. **55 awards won by Aktif Bank over the last three years** on international platforms, countless innovations pioneered by the Bank, and its growing profitability, are the clearest evidence of the Bank's leading position and without a doubt, testimony to its success.

Following a period full of achievements, our greatest responsibility will be to further elevate the bar that we have raised in the banking sector. I am fully confident that as a young and dynamic bank, Aktif Bank will continue to succeed and attain the targets it desires by means of its service concept, products, human capital, knowhow and innovative approach. In this respect, I would like to thank our employees, customers and all of our shareholders, and wish you a successful and prosperous year.

Sincerely,

Ahmet Çalık

## MESSAGE FROM THE CEO



**profit by approximately 50% each year.** Today, we are one of the most profitable banks in our country in terms of asset size and capital. We execute millions of transactions without branches, the old-fashioned channel of conventional banking. As we do not have any branches, our operating expenses are kept at minimal levels compared to other banks' operating at the same volume, and we have the capacity to perform even further without adding to our expense base. We are a real mediator and platform, with a boutique-style structure yet introducing its products nationwide.

We have attained all the vision and all these financial achievements by expressing and realizing new things. As a matter of fact, the old schemes, the dogmas, the "this is how it is done" attitude, would merely serve to mark us as followers, and would not generate any promising extraordinary success. Being innovative meant higher profit margins. We garnished our innovativeness, not only with successful financial results, but also with an array of international awards, including **"The World's Most Innovative Bank"** award.

There are countless new tasks to execute, and a myriad of ideas to bring to life on our path. We will continue, as always, striving to improve through our expanding resources. I envisage that we will secure many more international awards in 2014, and more essentially we will complete the year in the **1<sup>st</sup> place in terms of profitability.**

Aktif Bank will keep fulfilling its mission as a corporation, which is embraced by its customers, respected by its rivals, trusted by the cooperating parties, and which contributes to the national and global economy.

Sincerely,

Dr. Önder Halisdemir

In 2007, the year I first took office, our bank's asset size was just TRY 67 million when we set forth our targets to conduct "New Generation Banking", to mediate millions of transactions without opening branches, to issue to fund our businesses, to establish subsidiaries in neighbouring countries, to execute real investment banking, to become a platform, to be integrated and thus to become our country's largest distribution network with a branchless model. In the early days, Aktif Bank did not even have a signboard on its building, nor did it have a foreign partner, branch, any publicly traded shares or a deposit license. It was one of the smallest banks in the sector. The targets we have set and the means we preferred to use were perceived a little overambitious and unrealistic by many. However, our objectives were fundamentally very clear. We had drawn up the plans to combine our vision and opportunities. In spite of a competitive environment with very high pressure, and the crisis that infected the whole world in 2008, we managed to grow **77-fold, and achieved the vision we had put forth, boosting our**

## BOARD OF DIRECTORS



**AHMET ÇALIK**  
Chairman



**MEHMET USTA**  
Deputy Chairman



**MEHMET ERTUĞRUL GÜRLER**  
Board Member



**VEYSEL ŞAHİN**  
Board Member



**İZZET SERHAT DEMİR**  
Board Member



**DR. ÖNDER HALİSDEMİR**  
CEO and Board Member

### **AHMET ÇALIK** Chairman

Born in Malatya in 1958, Ahmet Çalık began his professional venture by establishing Ortadoğu Tekstil Ticaret ve Sanayi A.Ş. in 1981. Coming from a family engaged in textile sector since 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 Central Asian country newly declared its independence 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, Mr. Çalık was declared worthy of 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. Being appointed as the Honorary Consul for Bursa by the Republic of Kazakhstan in 2012 and having been awarded with an Honorary Doctorate Degree by Japanese Matsumoto Dental University in 2014, Ahmet Çalık is the Chairman of Çalık Holding and Group Companies, currently employing around 24,000 people in 17 countries, extending over Central Asia to Middle East and from Balkans to the North Africa.

### **MEHMET USTA** Deputy Chairman

Born in 1950, Mr. Mehmet Usta graduated from the Department of Economics and Finance at Eskişehir Academy of Economic and Administrative Sciences. With over 30 years of international banking experience, Mr. Usta served at Anadolu Bank in various positions between 1979 and 1987, and held a variety of positions in a number of locations both at home and abroad at Emlak Bank between 1987 and 1994. He worked at Banque du Bosphore from 1993 to March 2007 as Chief Executive Officer, and as a member of the Board of Directors. He has been a member of the Board of Directors at Aktif Bank since April 2008. He has also been Chairman of Banka Kombetare Tregtare since July 2009. Mr. Usta was elected as a Member of the Board of Directors of the World Savings Banks Institute (WSBI) in May, 2012.

### **MEHMET ERTUĞRUL GÜRLER** Board Member

Born in 1958, Mr. Mehmet Ertuğrul Gürler graduated from the Faculty of Economics at Marmara University and has more than 30 years of professional experience. He served in various levels at Dow Türkiye A.Ş. between 1987 and 1994, including the post of Financial Auditor and as a Member of the Board of Directors. He served as Acting General Manager and Secretary to the Board of Directors at Total Oil Türkiye A.Ş. from 1994 until joining Çalık Holding in 1998. Mr. Gürler is currently a member of the Executive Committee of Çalık Holding, a Member of the Board of Directors of Aktif Bank, and Deputy Chairman at Banka Kombetare Tregtare.

### **VEYSEL ŞAHİN** Board Member

Born in 1959, Mr. Veysel Şahin graduated from the Department of Public Administration at the Ankara Academy of Economics and Commercial Sciences. Mr. Şahin began his career at Anadolu Bank as a member of the Inspection Committee before being commissioned at Emlak Bank and later at Ziraat Bank. With more than 20 years of banking experience, Mr. Şahin has been serving as a member of the Board of Directors of Aktif Bank since the beginning of 2009.

### **İZZET SERHAT DEMİR** Board Member

Born in 1974, Mr. İzzet Serhat Demir is graduated from Faculty of Law at Istanbul University and has a master's degree in business administration. Mr. Demir started his career as a manager in a private company and he has 17 years of working 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 Altelecom.

### **DR. ÖNDER HALİSDEMİR** CEO and Board Member

Born in 1972, Dr. Önder Halisdemir received his higher education at Marmara University, New York University (NYU) and the University of Pennsylvania. Dr. Halisdemir's banking career includes several departments, including the Audit Committee, Corporate Banking, Branch Banking and Retail Banking at a variety of banks. He played an instrumental role in introducing a range of innovations to the Turkish banking industry and has brought numerous national and global awards to the organizations where he served. Holding a PhD in banking, Dr. Halisdemir formerly served as a member of the boards of the Financial Managers Foundation, the Real Estate Investment Trusts Association and the Association of Risk Professionals, as well as some insurance companies. He has been serving as a member of the Board of Directors and CEO of the Bank since 2007, as well as Chairman of Aktif Bank's subsidiaries, E-Kent Electronic Fare Collection Systems, Epost Electronics Retail Automation Sales, and Sigortayeri Insurance and Reinsurance Brokerage.



# SENIOR MANAGEMENT



**DR. ÖNDER HALİSDEMİR**  
CEO and Board Member



**SAVAŞ ÇOBAN**  
Executive Vice President, Strategic Planning  
and Organization Management Group



**DR. İHSAN UĞUR DELİKANLI**  
Executive Vice President,  
Subsidiary Management Group



**MUTLU ÖZDEMİR**  
Executive Vice President,  
Subsidiaries Technology Management Group



**DR. SERDAR SÜMER**  
Executive Vice President,  
Capital Markets Group



**KAMİL ENİS TUNA**  
Executive Vice President,  
Retail Banking Group



**MURAT EMRE DUMAN**  
Executive Vice President



**AHMET ERDAL GÜNCAN**  
Executive Vice President,  
Corporate Banking Group



**DR. RACİ KAYA**  
Executive Vice President,  
Treasury Group



**YILDIRIM ULUSOY**  
Managing Director, Human  
Resources and Support Services Group



**MUZAFFER SUAT UTKU**  
Managing Director,  
Financial Institutions Group



**M. FURKAN ÜNAL**  
Managing Director,  
Corporate Finance Group



**NİLGÜN KURUÖZ**  
Executive Vice President,  
Information Technology Group



**FERDA ÖNEN**  
Executive Vice President,  
Operations Group



**UĞUR NABİ YALÇIN**  
Chief Legal Counsel,  
Legal Group



**DR. ÖNDER HALİSDEMİR**  
**CEO and Board Member**

Born in 1972, Dr. Önder Halisdemir received his higher education at Marmara University, New York University (NYU) and the University of Pennsylvania. Dr. Halisdemir's banking career includes several departments, including the Audit Committee, Corporate Banking, Branch Banking and Retail Banking at a variety of banks. He played an instrumental role in introducing a range of innovations to the Turkish banking industry and has brought numerous national and global awards to the organizations where he served. Holding a PhD in banking, Dr. Halisdemir formerly served as a member of the boards of the Financial Managers Foundation, the Real Estate Investment Trusts Association and the Association of Risk Professionals, as well as some insurance companies. He has been serving as a member of the Board of Directors and CEO of the Bank **since 2007**, as well as Chairman of Aktif Bank's subsidiaries, E-Kent Electronic Fare Collection Systems, Epost Electronics Retail Automation Sales, and Sigortayeri Insurance and Reinsurance Brokerage.

**SAVAŞ ÇOBAN**  
**Executive Vice President, Strategic Planning and Organization Management Group**

Born in 1974, Mr. Savaş Çoban graduated from the Department of Political Sciences and International Relations at Bosphorus University. Mr. Çoban has 14 years of banking experience and joined Aktif Bank **in 2007**.

**DR. İHSAN UĞUR DELİKANLI**  
**Executive Vice President, Subsidiary Management Group**

Born in 1968, Mr. İhsan Uğur Delikanlı graduated from the Department of Public Administration at the Middle East Technical University Faculty of Economics and Administrative Sciences, and holds an MBA in Financial Management from the University of Exeter in England. He also has a Master's in Economic Theory from Gazi University Social Sciences Institute and a PhD in Accounting-Finance from Başkent University Social Sciences Institute. Mr. Delikanlı has over 20 years of banking experience and joined Aktif Bank **in 2012**.

**MURAT EMRE DUMAN**  
**Executive Vice President**

Born in 1970, Mr. Murat Emre Duman graduated from the Department of Computer Engineering at Bilkent University. He went on to obtain a Masters from the Kelley School of Business at the University of Indiana. He has 18 years of business experience, of which 16 years were in banking. He has served as manager of various award-winning projects in the banks where he worked. He joined Aktif Bank **in 2007**.

**AHMET ERDAL GÜNCAN**  
**Executive Vice President, Corporate Banking Group**

Born in 1969, Mr. Ahmet Erdal Güncan graduated from the Department of Civil Engineering Department at Istanbul Technical University and holds a Master's in Construction Management at the same university. He has 18 years of banking experience and joined Aktif Bank **in 2008**.

**DR. RACİ KAYA**  
**Executive Vice President, Treasury Group**

Born in 1967, Mr. Raci Kaya graduated from the Faculty of Economics and Administrative Sciences at the Middle East Technical University and holds a Masters from Hacettepe University. He later completed a doctorate in banking and insurance at Marmara University. Mr. Kaya, who has over 20 years of banking experience, joined Aktif Bank **in 2007**.

**NİLGÜN KURUÖZ**  
**Executive Vice President, Information Technology Group**

Born in 1965, Ms. Nilgün Kuruöz graduated from the Department of Computer Engineering at Bosphorus University, and holds a Master's in Computer Engineering at the same university. Having more than 20 years of banking experience, Kuruöz joined Aktif Bank **in 2013**.

**FERDA ÖNEN**  
**Executive Vice President, Operations Group**

Born in 1969, Ms. Ferda Önen graduated from the Department of Economics in English, Faculty of Economics, at İstanbul University. Ms. Önen, who has 21 years of banking experience, joined Aktif Bank **in 2007**.

**MUTLU ÖZDEMİR**  
**Executive Vice President,**  
**Subsidiaries Technology Management Group**

Born in 1970, Mr. Mutlu Özdemir graduated from the Department of Computer Engineering at Bosphorus University. Mr. Özdemir has 20 years of experience, 17 of which were spent in the banking industry. He joined Aktif Bank **in 2007**.

**DR. SERDAR SÜMER**  
**Executive Vice President, Capital Markets Group**

Born in 1973, Mr. Serdar Sümer graduated from the Department of Business Administration in the Faculty of Political Sciences at Ankara University, and holds a Master's from the College of William & Mary in Virginia, USA, and a PhD in Banking from the Banking and Insurance Institute of Marmara University. Also holding a Financial Risk Manager (FRM) certificate and Certified Public Accountants license, Mr. Sümer has 18 years of banking experience. Mr. Sümer joined Aktif Bank **in 2008**.

**KAMİL ENİS TUNA**  
**Executive Vice President, Retail Banking Group**

Born in 1966, Mr. Kamil Enis Tuna graduated from the Faculty of Economics at Anadolu University, and holds Master's from Marmara and Newport Universities in Business Administration. Mr Tuna, who has more than 20 years of banking experience, joined Aktif Bank **in 2013**.

**YILDIRIM ULUSOY**  
**Managing Director, Human Resources and Support Services Group**

Born in 1973, Mr. Yıldırım Ulusoy graduated from the Department of International Relations in Galatasaray University's Faculty of Economic and Administrative Sciences. He received his master's degree from INSEEC-Paris in Business Management and has 15 years of banking experience. He joined Aktif Bank **in 2007**.

**MUZAFFER SUAT UTKU**  
**Managing Director, Financial Institutions Group**

Born in 1974, Mr. Muzaffer Suat Utku graduated from the US International University San Diego School of Business Administration. He completed his MBA at University College London. He has been in the banking field for 14 years and joined Aktif Bank **in 2007**.

**M. FURKAN ÜNAL**  
**Managing Director, Corporate Finance Group**

Born in 1985, Mr. Muhammed Furkan Ünal graduated from the Faculty of Engineering at Uludağ University and holds a Master's from Bilgi University in Business Management. Mr. Ünal has worked as investment banking, project management and senior management consultant in private sector, public institutions and multi-national corporations and has 7 years of experience in these areas. He joined Aktif Bank **in 2013**.

**UĞUR NABİ YALÇIN**  
**Chief Legal Counsel, Legal Group**

Born in 1972, Mr. Uğur Nabi Yalçın graduated from the Faculty of Law at İstanbul University. With 20 years of experience, Mr. Yalçın is about to complete his master's degree at İstanbul University Institute of Social Studies, Department of Financial Law. He joined Aktif Bank **in 2007**.

**DOĞAN AKAY**  
**Executive Vice President, Credit and Risk Group**

Born in 1968, Mr. Doğan Akay graduated from the Faculty of Business Administration at İstanbul University. Mr. Akay has over 20 years of banking experience. Joined Aktif Bank in 2007, Mr. Doğan Akay resigned from his position at Aktif Bank on June 14, 2013.

**HAKAN KURTOĞLU**  
**Executive Vice President, Finance Group**

Born in 1969, Mr. Hakan Kurtoglu graduated from the Department of Business Administration in the Faculty of Economic and Administrative Sciences at Marmara University. Mr. Kurtoglu, has 20 years of banking experience. Joined Aktif Bank in 2008, Mr. Hakan Kurtoglu resigned from his position at Aktif Bank on August 31, 2013.

DIRECTORS WITHIN THE SCOPE OF INTERNAL SYSTEMS

MURAT BARLAS  
Managing Director, Risk Management Department  
Born in 1968, Mr. Murat Barlas graduated from the Department of Mathematics in the Faculty of Science at İstanbul University. With 18 years of banking experience, Mr. Barlas joined Aktif Bank in 2007.

YUSUF A. KARADAĞ  
Managing Director, Internal Audit and Control Group  
Born in 1974, Mr. Yusuf A. Karadağ graduated from the Department of Political Science and International Relations, in the Faculty of Economic and Administrative Sciences at Bosphorus University. With 16 years of banking experience, Mr. Karadağ joined Aktif Bank in 2007.

VOLKAN KÖLEGE  
Director, Internal Control Department  
Born in 1977, Mr. Volkan Kölege graduated from Anatolian University Faculty of Economics and Administrative Sciences. With 14 years of banking experience, Mr. Kölege joined Aktif Bank in 2008.

ALİ GÜLCAN  
Director, Fraud Prevention Department  
Born in 1980, Mr. Ali Gülcan graduated from the Spanish Language and Literature Department at Istanbul University Faculty of Science and Letters. Mr. Gülcan has 14 years of banking experience. He joined Aktif Bank in 2012.

RECEP ÖZER  
Director, Internal Audit Department  
Born in 1980, Mr. Recep Özer graduated from the Economics (in English) Department at Hacettepe University Faculty of Economics and Administrative Sciences. Mr. Özer's career spans 8½ years of banking experience. He joined Aktif Bank in 2012.

PINAR GÜRKAN  
Manager, Compliance Department  
Born in 1981, Ms. Pınar Gürkan graduated from the Econometrics Department at Marmara University Faculty of Economics and Administrative Sciences. Ms. Gürkan's career spans 9 years of banking experience. She joined Aktif Bank in 2009.

COMMITTEES

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

Dr. Önder Halisdemir  
CEO, Chairman of the Committee

Savaş Çoban  
Executive Vice President, Strategic Planning and Organization Management Group

Murat Emre Duman  
Executive Vice President

Kamil Enis Tuna  
Executive Vice President, Retail Banking Group

Dr. Raci Kaya  
Executive Vice President, Treasury Group

Dr. Serdar Sümer  
Executive Vice President, Capital Markets Group

Dr. İhsan Uğur Delikanlı  
Executive Vice President, Subsidiary Management Group

Ahmet Erdal Güncan  
Executive Vice President, Corporate Banking Group

Muzaffer Suat Utku  
Managing Director, Financial Institutions Group

Yaşar Göktaş  
Managing Director, Credit Risk Monitoring Department

Kağan Candan  
Managing Director, Treasury Department

Murat Barlas  
Managing Director, Risk Management Department

Onur Uğur Özkan  
Managing Director, Strategic Planning Department

Özlem Yetkin  
Chief Economist

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 the commercial performance by comparing commercial activities' results with the budget, to share the 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 organisational changes within the Group, to give information about top priority / critical works at the Groups, to revise new business ventures, which may have a notable impact on the Bank, to take common decisions related to their prioritisation and implementation, to make evaluations on previous Executive Committee resolutions, to set out the actions to deal with problematic situations, and to take joint decisions on situations affecting the other Groups.

Dr. Önder Halisdemir  
CEO, Chairman of the Committee

Savaş Çoban  
Executive Vice President, Strategic Planning and Organization Management Group

Murat Emre Duman  
Executive Vice President

Kamil Enis Tuna  
Executive Vice President, Retail Banking Group

Dr. Raci Kaya  
Executive Vice President, Treasury Group

Dr. Serdar Sümer  
Executive Vice President, Capital Markets Group

Dr. İhsan Uğur Delikanlı  
Executive Vice President, Subsidiary Management Group

Nilgün Kuruöz  
Executive Vice President, Information Technology Group

Ferda Önen  
Executive Vice President, Operations Group

Ahmet Erdal Güncan  
Executive Vice President, Corporate Banking Group

Mutlu Özdemir  
Executive Vice President, Subsidiaries Technology Management Group

Uğur Nabi Yalçın  
Chief Legal Counsel, Legal Group

Muzaffer Suat Utku  
Managing Director, Financial Institutions Group

Muhammed Furkan Ünal  
Managing Director, Corporate Finance

Yıldırım Ulusoy  
Managing Director, Human Resources and Support Services Group

Yaşar Göktaş  
Managing Director, Credit Risk Monitoring Department

Funda Coşkun  
Managing Director, Retail Credit Allocations Department

Nilay Şenay Kibaroğulları  
Managing Director, Retail Credit Policies Department

Onur Uğur Özkan  
Managing Director, Strategic Planning Department

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

Dr. Önder Halisdemir  
Member of the Credit Committee - CEO

ALTERNATE MEMBERS OF THE CREDIT COMMITTEE

Veysel Şahin  
1<sup>st</sup> Alternate Member

İzzet Serhat Demir  
2<sup>nd</sup> Alternate Member

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 who meet the qualifications specified by the Banking Regulation and Supervision Agency and are given the title of Internal Systems Coordinator, 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, and the integrity of the information produced. It also conducts the 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 the audit activities.

COMMITTEE MEMBERS

Mehmet Usta  
Chairman of the Audit Committee

Veysel Şahin  
Member of the Audit Committee

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 1 (once), or more than once if necessary, each year with the participation of all the members. Other participants may also be invited to the meetings by the Chairman of the Committee.

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  
Managing Director, Human Resources and Support Services Group - Member of the Committee

PRICING COMMITTEE

The Pricing Committee is responsible for evaluating pricing policy and applications formed by the General Directorate within the framework of risk management and presenting advice within this framework as a report 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 1 (once) every year with the participation of all the members with ordinary agenda, or extraordinarily if necessary. The Chairman of the Committee has the right to invite other participants to the meeting 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 (1) every month. In addition, the Board of Directors may hold extraordinary meetings if deemed necessary.

SUMMARY OF THE 2013 BOARD OF DIRECTORS REPORT PRESENTED TO THE GENERAL ASSEMBLY

Dear Shareholders,

Our Bank completed 2013 efficiently with the planned activities and successful efforts of the managerial staff. As a consequence of activities conducted throughout 2013:

1. Our net profit was TRY 125,397,000 and total asset size was TRY 5,091,357. With these results, our net profit grew by 31.94% and size of assets rose by 44.74% when compared to the previous year.

2. Our capital adequacy ratio stood at 13.23%. 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 19.40% and an average Return on Assets of 2.91%.

4. Our non-equity foreign assets pioneered growth, surging by 39.15% to TRY 4,257,103,000. This significant development in foreign assets’ inflow is also considered a highly positive development in terms of our Bank’s credibility.

5. Our cash credits increased by 51.33% compared to the previous year, rising to TRY 3,578,891,000.

6. The NPL ratio stood at 2.46%. 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, 2013 – December 31, 2013, the respective highlights and footnotes, Independent Auditors’ Report and Auditors’ report for your examination and approval.

In the event that your Board approves, we present the adoption of this “Report” herein, and other reports submitted to you, and the acquittal 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



## STRATEGIC PLANNING AND ORGANISATION MANAGEMENT GROUP

## STRATEGIC PLANNING AND ORGANISATION MANAGEMENT GROUP

The Group designed and implemented the structural and functional changes successfully, both in the Bank and the related financial institutions, by paying regard to the synergy, which these structures would create with each other in 2013. Furthermore, the Group effectively managed the design of the new processes within the framework of the general service model, and monitoring of the service quality. In 2013, the medium and long term strategies were set out in line with the determination of the strategies in the second phase of the New Generation Banking, and with the actions taken to strengthen the targeting and planning infrastructure. The projects determined within the scope of the strategic priorities were implemented with the related teams. Under this scope, the Group ensured the proactive management of, and obtaining results from, projects that are strategically crucial for the bank, and which will provide net contributions. Moreover, it was ensured that the project scope was clarified, recommendations for solutions were developed, project implementation plans were prepared, and these plans were implemented along with the relevant business units. While managing the strategic projects, economic and sectoral developments, both in Turkey and worldwide, were closely followed-up and opportunities / threats were identified for the Bank. In addition, significant inputs were obtained in order to reveal the Bank's medium / long term plans via macro-economic projections and analyses. As for corporate communications, the Group raised the Bank's brand recognition and reputation through its successful work in the fields of advertising, communications, public relations, media relations, media purchasing, sponsorship and the effective representation of the Bank in international competitions. It thus has strengthened the unique position of the Bank within the sector. In 2014, the Group will continue its activities on designing the future in order to maintain the successful performance of the Bank, without pausing.

reputation

brand  
recognition

consumer finance

## RETAIL BANKING GROUP

The Retail Banking Group raised the number of PTT offices offering Universal Payment Transfer® (UPT®) services to 4,700 and embarked on a rapid growth trend, exceeding 1.4 million transactions. The number of international money transfer member points was raised above 300,000, in 145 countries on 5 continents, as a result of agreements signed with new banks and international organisations in 2013, in order that UPT® sent abroad from Turkey can be paid abroad, and that incoming UPT® can be paid in Turkey. The Bank far and away maintained its leadership in 2013 among banks offering credit facilities in PTT. Aktif Bank penetrated the card world with its **PassoLig Card project**, obtaining the card license by the end of 2013.

145  
countries,  
300,000  
points

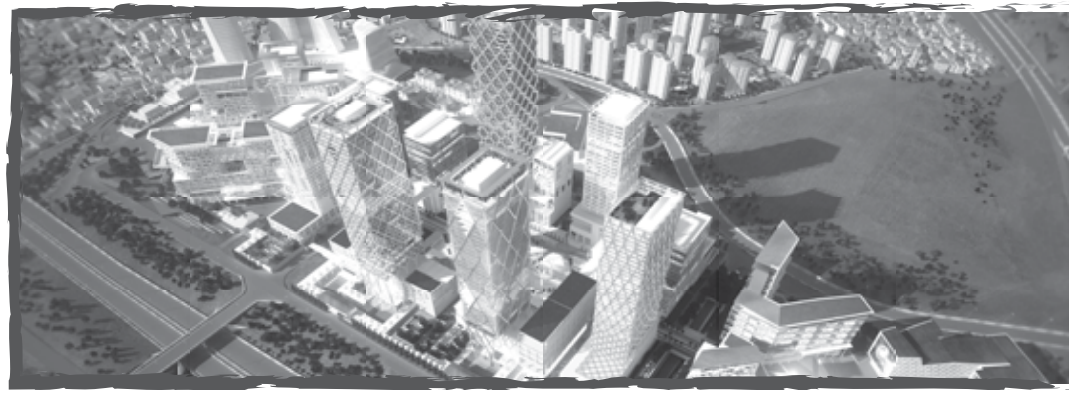
The Retail Banking Group implemented new models and sectors at retailer credits, in consumer finance which one of the Group's key areas of activity, opening up to a broader section of customers above 40,000 with services worth TRY 129 million to date. The Group signed agreements with İstikbal, Bellona and Doğtaş in the furniture sector, and with Agdaş, Bursagaz, Kayserigaz and İzgaz in the natural gas sector, and continues to meet the financial needs of consumers with a 2,000+ strong retailer network Turkey wide. The Bank made a robust entry into the white goods sector by bringing Arçelik A.Ş., the largest white goods company in Turkey, into the fold of the Bank's business partners by the end of 2013. Aktif Bank became the sole business partner applying the system, which controls the delivery and installation of the products through the retailer.

2,000+  
strong  
retailer  
network

Reaching a network of 4,000 retailers, the Group is taking firm steps and poised towards becoming the leading bank of the consumer finance sector in 2014. The Group also aims to expand its new passive products and credit volume, while offering new distribution channels and new products for the service of its customers.







### CORPORATE BANKING GROUP

The Group implemented several projects such as Real Estate Development Projects, Commercial Receivable Insurance and Financing, Commercial Financing, and business development projects oriented for entrepreneurs. Within this framework, the financing of the **Istanbul International Finance Centre** project, which will play a key role in Turkey's financial transformation, is conducted under the Group's coordination. A broad mass of investors are offered the opportunity to invest in the project through alternative financing methods such as mudarabah (partnership) and wakalah **lease certificates**, developed in the Bank within this context. Offering, for the first time in Turkey, all of the financing models of the **(TFC)** which operates as a foreign trade company within the body of the Islamic Development Bank (IDB), Aktif Bank mediated new transactions in Structured Commodity Finance in 2013. Supporting commodity purchases by grain, cotton and oil seed importers, for the first time in Turkey companies obtained, without the need for collateral, financing within a structure established over trade flow thanks to this model. Aktif Bank has been insuring the commercial receivables with **Euler Hermes**, **Coface** and **(CIEC)** since 2011, and provides fund support to its customers by way of insurance policy with its **'Credit Insured Finance'** product, which won an award in 2013. By means of another of the Bank's projects, the **Arge Finans (R&D Financing) Program**, entrepreneurs' applications for the Letter of Guarantee, which is required for their **TÜBİTAK/TEYDEB** pre-payments, are obtained from the web site **argefinans.com**, and all these processes are conducted over this smart platform. The project itself is considered as collateral within the scope of the program, and thus it becomes easier to obtain the Letter of Guarantee that

entrepreneurs require, without the need for material collaterals such as mortgage. Accordingly the enterprise and entrepreneur are supported. The Group will continue in 2014, to identify prominent trade and investment opportunities within the focused geographical zones in accordance with the Bank's Corporate Banking vision.

### CORPORATE FINANCE GROUP

The Group was established in the second half of 2013 anticipating that our country is the focus of interest of internationally known foreign investors, and with the prediction that the upward trend in merger activities in 2012 would continue in the future. Corporate Finance operates in 3 different areas composed of **venture capital / angel investments**, **M&A**, and **corporate consultancy**. 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. The Group will continue, in 2014, to find appropriate and productive investments, to establish the correct designs and structures and, accordingly, to offer value added services in line with the needs of the Bank, group companies and private investors.



### CAPITAL MARKETS GROUP

In 2013, the Group continued to develop innovative solutions in line with the financial needs of Aktif Bank customers in order to enhance the product and channel effectiveness in capital markets. In parallel with this, the Bank continued to play an active role in determination of the related products required by the market, development of the related regulations, and monitoring the related applications emerging in the global arena and implementing them in Turkey. In 2013 Turkey's **first project financing product**, sukuk was issued, thanks to the Capital Markets Group.

### TREASURY GROUP

The Group contributed to its growth and profitability on 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 utilise their resources efficiently in the short term. The new **Bonds and Bills Fund** introduced to the market by the Treasury Group, and which 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. In 2014, the Treasury Group will continue to make the Bank a valuable partner in treasury operations that both domestic and international market players will want at their side.



### 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 pausing in 2013. The **number of correspondent banks was raised above 500** and long-term lines were established at the counters of the ECA (Export Credit Agency) and development banks. The Bank expanded its funding source through domestic and foreign banks by 15%. Foreign trade transaction volume undertaken by Aktif Bank demonstrated a growing trend with its correspondent banking network, **which spread to 91 countries** in 2013. Meanwhile, the Bank broke new ground in the field of Islamic Banking by mediating, for the first time, metal purchase / sale through **murabaha transactions** on behalf of foreign financial institutions. The Group will develop and continue its related successful studies in parallel with the Bank's strategies and requirements in 2014.

### AKTIF NOKTA GROUP

Aktif Nokta Group aims to be the Turkish retail sector's **largest and most popular** product sales and service platform. The Group aims to make life easier by offering its customers new products and services with result oriented business designs, which have robust strategic foundations. Aktif Nokta® presents customers with many services under bank guarantee, from **catalogue product, match ticket, bus / plane ticket sales, city and public transportation top-up, payment of utility invoices such as electricity, water, natural gas, phone bills, insurance application to GSM top-up by means of terminals with double touch screens and internet connection, located in small groceries and petrol stations**. Customers can execute all of their transactions, quickly and practically, without waiting in queues, by means of the Aktif Nokta® dealers, one of the significant lines of Aktif Bank's Direct Banking Strategy. With the Aktif Nokta® project, The Bank has been awarded with the grand prize in the competition organised by the European Financial Management Association (EFMA), one of the most prominent institutions of the finance and banking sector in the European Union.





SIGORTAYERI GROUP

By means of Sigortayeri, the insurance marketing, sales and technology platform, which has been created with the aim of offering the insurance products that the Group shaped in order to serve the needs of potential customers in a **comparable, fast and clear manner**, the Group has ensured time and cost efficiency for insurance customers in their decision making processes, and has reached a broad user mass in a short span of time.

The brand, Sigortayeri, reaped a huge harvest with the comparability policies it has offered since day one, and with insurance options tailored for everybody. The brand has become the **preeminent institution** of the sector through its multi-channel structure, product range meeting every type of insurance need, and high value added services, which help to differentiate itself from its rivals.

In 2014, Sigortayeri aims to disperse the insurance business to public reach by providing on-site and instantaneous access to insurance, as the **broker with the widest distribution network via physical points, e-trade, 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 the new customers and thus to strengthen the positive perception of insurance, and to create a positive impact on customers in terms of the after-sales service concept, by ensuring pace and ease, not only in the sales process but also in terms of the operational processes.



CREDIT AND RISK GROUP

The Credit and Risk Group, the party in charge of the **credit risk management, credit allocation, utilisation, monitoring, tracking and risk analysis** of retail and corporate loans in 2013. The fact that the management of the decision system, which is developed by the Group and got integrated into the intelligent sources, managed according to the dynamic market conditions and various approaches of product and risk model depending on and being adjusted according to needs, is being conducted by the Credit and Risk Group, increases the effectiveness of the decision system, thus providing great advantage in both competition and risk management. In 2013, 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 the 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 rating through regular studies in 2014 as well.

SUBSIDIARY MANAGEMENT GROUP

The Group operates not only in the financial sector but also carries out activities in the real sector, such as acquiring and managing, directly or indirectly, partnership shares, which will add value to the Bank in accordance with the new generation banking strategies. Moreover, the group determines its strategy of acquiring subsidiaries in foreign countries based on such factors as geographical proximity, the potential offered by each country in the field of finance or other areas, and opportunities through synergy with other investments in the Group. Within this framework, the Group conducts visits, research activities and due diligence in various countries in order to evaluate opportunities. The Group ensures that the necessary actions are taken to organise the financial subsidiaries owned by Aktif Bank, in order to establish the most effective management structure. In 2014, the Group will continue to evaluate opportunities for Aktif Bank to work with **domestic and foreign partners** who comply with the Bank's general strategies, and who are in a position to create added value.

FINANCE GROUP

In 2013, the Finance Group successfully maintained its activities on the sturdy operation of the Bank's accounting and reporting systems, tax implementation and similar obligations. Moreover, the Bank's financial situation and **profitability** were analysed and medium and long-term projections were prepared for the Bank. 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 2014.

INFORMATION TECHNOLOGIES GROUP

In 2013, the Group succeeded in establishing significant technological infrastructure and **R&D investments** that would provide efficient and effective services to external and internal customers, compatible with the Bank's general vision and business plan. The Group's organisational structure was designed to meet the changing market conditions swiftly, and to ensure the output of high quality and timely services and products. The Information Technologies Group completed the card package studies, which were initiated in the second half of the year with efficient and effective processes. In 2014, the Group will continue to **provide scalable, expandable, continuous and high performing** information systems services, which will meet all of the Bank's technological needs.

SUBSIDIARIES TECHNOLOGY MANAGEMENT GROUP

In parallel with the Bank's growth strategy, the number of subsidiaries climbed in 2013. Accordingly, the Subsidiaries Information Technologies group was established to create common strategies for the subsidiaries, and to ensure that they progress towards a single target so as to complete one another, and thus enable them to benefit from similar technologies. In 2014, the Group will continue to ensure common information technologies standards for the subsidiaries, which operate in a wide area from money transfers to retail payment systems and insurance brokerage, and **to conduct works that will boost synergy and efficiency** among the subsidiaries.

OPERATIONS GROUP

Thanks to its robust central infrastructures, the Operations Group started, in 2013, to manage transactions, in a most efficient way, incoming from many points such as Authorised Transaction Centres (NKolay Points), Aktif Nokta Dealers, and UPT® Offices, the Bank's new service channels. In spite of the diversity in the different products and services, the rapidly expanding distribution channel succeeded in performing **7 times more transactions** than in the previous year, thanks to continuous enhancements on automation, productivity and quality, and with minimum recruitment. While the number of customers served rose rapidly, a considerable improvement in customer satisfaction was ensured as well. The Group played an active role in the Bank's vital infrastructure and product projects, such as debit card, credit card, cash collection systems, and Universal Payment Transfer UPT® structuring. In parallel with the rise in channel and product diversity, new services began to be provided in the Communications Centre, **24/7**. Despite the growth in the number of calls at the Call Centre, **the enhancements in service quality** continue thanks to the newly implemented **infrastructure projects**. Considerable income growth was recorded in sales support, in addition to call management and channel support functions. In 2014, the Group will continue to attain its goals via smart **platforms**, and within the framework of the sales support-oriented quality service perception.

 **CUSTOMER AND SALES SUPPORT ORIENTED QUALIFIED SERVICE**









• In accordance with Aktif Bank’s City Banking strategy, the number of issued prepaid city cards reached to a number of 268,000 in 2013. These cards are offered to all city-dwellers through the Bank’s affiliate E-Kent, and used in inter-city public transportation and for shopping, bonus and discount. While Ankara joined the list of cities whose infrastructure is provided by E-Kent, this city will play a key role in terms of the Bank’s long-term strategies. QR Code was added to approximately 4.5 million smart cards and around 160 million magnetic tickets used in the EÜTS (Electronic Fee Collection Service) system in cities such as Ankara and Gaziantep. Thus, for the first time in Turkey, card and ticket users may benefit from campaigns by means of the advertising network.



• In 2013, the Bank mediated two sukuk issuances. The Bank made a clear entrance again with the sukuk issuances a non-interest bearing financing model, was used for project financing purposes for the first time in Turkey. First Mudarabah and then wakalah methods were used in these issuances in May and November, representing an asset pool worth TL 200 million in total.

• In 2013, all the ABSs issued by the Asset Finance Fund No (1), established by Aktif Bank in order to issue Turkey’s first genuine ABSs, were fully redeemed.

HUMAN RESOURCES ACTIVITIES

Aktif Bank’s growth strategy is based on an organisation that creates new business opportunities by adapting to new technologies and developments. 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 can be listed as follows; creation of a work environment where all employees can improve themselves without any discrimination, as well as providing equal career opportunities and creation of systems, which 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 2013, the number of employees rose by 39% compared to the previous year. In order to offer employees the development opportunities to enhance their knowledge, skills and achievements, Aktif Bank provided a total of 19,455 training hours in 2013. The Bank also has organized Development Centre implementations to establish a base for a common management culture and to develop the managerial staff’s leadership competencies. The foundations of the coaching implementations were laid in order to prepare employees with high potential for higher roles in the future.

Masters / Doctorate	16%
University graduate	74%
Number of Employees	611
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, with the contribution of the work to the bank’s strategies.

**Criteria Considered in Performance Based Payments:**  
Performance based payments are determined in accordance with the organisation’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 2013, the annual premium allowances calculated for the 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 20% of the 2013 personnel expenses.

TRANSACTIONS CONDUCTED BY THE BANK WITHIN ITS OWN RISK GROUP						
	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	-	-	944,629	90,791	330,548	574,245
Balance at End of Period	-	-	1,545,290	4,795	296,989	569,661
Interest and Commission Income	-	-	224,512	611	27,758	7,737

PEOPLE AND ORGANISATIONS PROVIDING SUPPORT SERVICES

Sistek Bilgisayar Ltd., İnfina Yazılım A.Ş., Cybersoft Ltd., Koç Sistem A.Ş., Active Bilgisayar Ltd., Coretech A.Ş., OBSS Bilişim Ltd., EGA Elektronik A.Ş., İnomera Bilişim A.Ş., AcerPro Bilişim Ltd., Formalis Bilgi Teknolojileri Ltd., Codec İletişim Ltd., Asseco See A.Ş., Kartek Kart Ltd., Provus Bilişim A.Ş., Vega Bilgisayar Ltd., İmperitek Bilişim Ltd., Global Bilişim Ltd., Kafein Yazılım A.Ş., Signum Teknoloji Ltd., Keytorc Teknoloji Ltd., Emobil Bilişim Ltd., Arneca Danışmanlık Ltd. and Bilge Adam A.Ş., RDC Partner Bilişim Dan. ve Tekn. Hiz. Ltd. Şti., Simternet İletişim Sis. Rek. San. ve Tic. Ltd. Şti.: Provided support services pertaining to Information Technologies processes.

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

Collection Platform Yazılım A.Ş., RGN Çağrı Merkezi Ltd., Nuevo Yazılım A.Ş., Sistem Yönetim Danışmanlığı Ltd. and Etcbase Yazılım A.Ş.; Provided support services pertaining to Corporate Banking processes.

Desmer Bilgi ve İletişim Hizm. A.Ş., RM Arşiv Yönetimi A.Ş., Desmer Güvenlik A.Ş., Infoverify Danışmanlık A.Ş., Hobim Bilgi İşlem A.Ş., Securverdi Güvenlik A.Ş., Tele Kurye Dağıtım A.Ş., Kuryenet Motorlu Kuryecilik A.Ş., Provus Bilişim A.Ş., Competence Call Centre A.Ş., Artekay Teknoloji Ltd, Aktif İleti ve Kurye 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.; Provided support services pertaining to operational processes.

Intellica Yazılım Ltd., Inviso Destek Hizmetleri A.Ş., Asfalt İstanbul Reklam Ltd., Maxus Medya Hizmetleri Ltd., Epost Elektronik A.Ş., Infoverify Danışmanlık, Sors Bilgi Denetim, PTT (Posta ve Telgraf Teşkilatı), Experian Bilgi Hizmetleri Ltd. Şti., Motto23 İletişim Hizmetleri ve Tic. A.Ş., ATK Global Pazarlama İnş. İth. İhr. A.Ş., Doğtaş-Kelebek Mobilya San. ve Tic. A.Ş., Jadem Masaj Ekipmanları San. ve Tic. Ltd. Şti., Meba Medikal Ür. San. Tic. Ltd. Şti., Migun Medikal ve Dış. Tic. A.Ş., Nugabest İth. ve İhr. San. Tic. Ltd. Şti.; Provided support services pertaining to Retail Banking processes.

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









EVALUATION OF FINANCIAL STATUS

The Bank’s total assets reached TRY 5,091,357,000 by the end of 2013, going up by 44.74% when compared to the previous year. In US Dollar terms, the Bank’s total assets grew by 20.89% from \$ 1.973 billion at the end of 2012 to \$ 2,385 billion by the end of 2013. By the end of 2013, the Bank achieved net profit worth TRY 125 million. This represents profitability growth of 31.94% compared to the end of 2012. While the average return on assets based on net gain was 3.13% in 2012, this ratio stood at 2.91% in 2013. Last year the average return on equity was 23.57%, while in 2013 this figure declined to 19.40%.

By the end of 2013, the Bank’s total shareholder equity reached TRY 834.3 million, up by TRY 458.3 million. With this result, Aktif Bank further strengthened its shareholder equity structure. Aktif Bank’s year-end capital adequacy ratio stood at 13.23%.

In 2013, the Bank continued to manage its credit portfolio with a view to optimizing the risk-return balance, meeting customers’ financing needs at different maturities in the most suitable manner. The total volume of loans and financial leasing transactions grew by 51.28% to TRY 3,580 billion in 2013. The Bank’s non-cash loans amounted to TRY 993.5 million. However, despite the economic crisis and its worldwide

negative impact, the Bank’s share of total non-performing loans remained at 2.46% 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 issuing in 2013. The aforementioned transaction of securitisation, 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. Aktif Bank, having completed the participation fund certificate studies by the first half of 2012, blazed another trail by implementing this issue in July 2012. By using its knowhow in non-interest bearing finance, Aktif Bank Sukuk Varlık Kiralama A.Ş., founded by the Bank, issued Turkey’s first sukuk for project purposes worth TRY 200 million in 2013.

INFORMATION CONCERNING IMPLEMENTED RISK MANAGEMENT POLICIES BY TYPES OF RISK

Aktif Bank’s main scope is Corporate Banking, Retail Banking, Treasury and Capital Markets transactions. The income obtained from these activities, which is 85% of the Bank’s total asset size, comprised 99% of total interest revenue in 2013.

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 2013.

By the end of 2013, the share of individual loans granted within Retail Banking reached 30% of the Bank’s total asset size. The interest revenue contribution of these loans stood at 32%. The NPL ratio of individual loans, which make a major contribution to interest revenue, was 1.14% by the end of 2013, which is much lower than the sector average.

The objective of the credit risk management is to manage the risk, to which the credit portfolio may be exposed and maximize the risk-adjusted return in accordance with the Bank’s fundamental strategy and targets. It has adopted a dynamic credit portfolio management system that also takes into consideration the early warning signals in credit analysis, credit allocations and approval. In credit placements, the Bank’s policy is to observe safety, liquidity, productivity and appropriate diversification of credit.

The required documentation, responsibilities and limits regarding credit risk management are determined. Rules have been set out for the rating system, loan approval processes and credit allocation conditions have been within the Bank. 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 and Asset Backed Security issuances. 9% of the Bank’s total interest income was made up of transactions under treasury and capital markets activities in 2013. Within the scope of treasury and capital markets activities, the ratio of securities portfolio to the total asset size was 13%. 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.

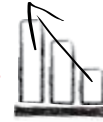
Notwithstanding the primary goal of providing products to meet the needs of the customer portfolio, Aktif Bank’s Treasury operations aim to contribute to profitability, with transactions conducted within the framework of the market risk limits established by the Board of Directors.

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 Centre, located in Istanbul’s Gebze district, enables key management and staff to continue their work in the event of local disasters.

The Disaster Recovery Centre 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 centre in Ankara. An office environment has been created in both centres to meet all the technical requirements of the key staff.



## 5-YEAR SUMMARY FINANCIAL HIGHLIGHTS

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

	2013	2012	2011	2010	2009
BALANCES WITH BANKS & MONEY MARKET PLACEMENTS	82,873	16,155	20,126	182,870	91,065
TRADING SECURITIES (NET)	6,248	4,726	1,081	197	874
INVESTMENT SECURITIES (NET)	644,789	571,521	474,464	405,398	124,624
LOANS & FACTORING RECEIVABLES (NET)	3,578,891	2,365,018	1,677,755	723,305	271,906
FINANCIAL LEASE RECEIVABLES (NET)	1,252	1,542	31	3,807	7,274
SHAREHOLDERS' EQUITY	834,254	458,292	348,049	225,752	172,494
<b>TOTAL ASSETS</b>	<b>5,091,357</b>	<b>3,517,595</b>	<b>2,552,810</b>	<b>1,479,392</b>	<b>577,057</b>
<b>GUARANTEES AND INDEMNITIES</b>	<b>993,470</b>	<b>1,135,133</b>	<b>1,163,928</b>	<b>1,349,745</b>	<b>498,579</b>
NET INTEREST INCOME	271,512	142,748	89,652	37,940	32,574
NET FEE AND COMMISSION INCOME	78,390	47,768	103,173	28,334	5,227
PROFIT BEFORE TAXES	162,162	117,708	89,590	48,687	13,182
PROVISION FOR TAXES ON INCOME	-36,765	-22,664	-24,044	-3,808	-2,403
NET PROFIT	125,397	95,044	65,546	43,515	3,115

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

	2013	2012	2011	2010	2009
BALANCES WITH BANKS & MONEY MARKET PLACEMENTS	38,829	9,063	10,557	118,286	60,480
TRADING SECURITIES (NET)	2,927	2,651	567	127	580
INVESTMENT SECURITIES (NET)	302,108	320,611	248,867	262,224	82,768
LOANS & FACTORING RECEIVABLES (NET)	1,676,845	1,326,724	880,018	467,856	180,584
FINANCIAL LEASE RECEIVABLES (NET)	587	865	16	2,462	4,831
SHAREHOLDERS' EQUITY	390,879	257,092	182,559	146,023	114,561
<b>TOTAL ASSETS</b>	<b>2,385,493</b>	<b>1,973,295</b>	<b>1,339,003</b>	<b>956,916</b>	<b>383,248</b>
<b>GUARANTEES AND INDEMNITIES</b>	<b>465,478</b>	<b>636,785</b>	<b>610,505</b>	<b>873,056</b>	<b>331,128</b>
NET INTEREST INCOME	127,214	80,079	47,024	24,541	21,634
NET FEE AND COMMISSION INCOME	36,729	26,797	54,116	18,327	3,471
PROFIT BEFORE TAXES	75,979	66,032	46,992	31,492	8,755
PROVISION FOR TAXES ON INCOME	-17,226	-12,714	-12,612	-2,463	-1,596
NET PROFIT	58,753	53,318	34,380	28,147	2,069
USD/TRY	2.1343	1.7826	1.9065	1.546	1.5057



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**AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE**  
**YEAR ENDED 31 DECEMBER 2013 WITH**  
**INDEPENDENT AUDITORS' REPORT THEREON**



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## INDEPENDENT AUDITORS' REPORT

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

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 2013, the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management’s responsibility for the consolidated financial statements

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

### Auditors’ responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 audit opinion.

### Basis for Qualified Opinion

The consolidated financial statements as at 31 December 2013 consist of a general provision amounting to TL 32,000 thousand of which TL 25,000 thousand is written off in the previous periods and TL 7,000 thousand is in the current period, 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 2013, the other provisions would decrease by TL 32,000 thousand, prior period profit and loss would decrease by TL 5,000 and retained earnings would increase by TL 25,000 thousand, as at 31 December 2013 and 31 December 2012, other operating income, profit before tax and net profit for the period would increase by TL 7,000 thousand and decrease by TL 5,000 thousand respectively.

### Qualified Opinion

In our opinion, except for the effects on the consolidated financial statements 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 2013, 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 33 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 2013.

KPMG Akis Bağımsız Denetim ve ŞMM M Ş

14 February 2014  
İstanbul, Turkey



## AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position as at 31 December 2013  
(Currency - In thousands of Turkish Lira ("TL"))

	Note	31 December 2013	31 December 2012
<b>ASSETS</b>			
Cash and cash equivalents	8	196,494	376,119
Reserve deposits at Central Bank	9	299,299	151,602
Trading assets	10	6,248	4,726
Trade and other receivables		6,157	-
Inventories		3,957	-
Loans and advances to customers	12	3,580,143	2,366,560
Investment securities	11	644,789	571,521
Equity accounted investees	13	8,675	-
Tangible assets	15	181,950	7,115
Intangible assets	16	36,829	19,588
Goodwill	14	3,796	-
Deferred tax assets	21	5,118	4,113
Other assets	17	117,902	16,251
<b>Total assets</b>		<b>5,091,357</b>	<b>3,517,595</b>
<b>LIABILITIES</b>			
Trading liabilities	10	1,475	3,244
Trade and other payables		7,177	-
Obligations under repurchase agreements	18	538,404	398,586
Financial lease liabilities		32,229	-
Debt securities issued	20	2,004,194	1,501,596
Funds borrowed	19	1,098,274	524,015
Provisions	22	54,054	40,182
Income taxes payable	21	8,791	9,199
Other liabilities	23	512,505	582,481
<b>Total liabilities</b>		<b>4,257,103</b>	<b>3,059,303</b>
<b>EQUITY</b>			
Share capital	24	701,595	235,448
Legal reserves		11,279	6,931
Reserves		(10,716)	33,799
Retained earnings		131,412	182,114
<b>Total equity attributable to equity holders of the Bank</b>		<b>833,570</b>	<b>458,292</b>
Non-controlling interests		684	-
<b>Total equity</b>		<b>834,254</b>	<b>458,292</b>
<b>Total liabilities and equity</b>		<b>5,091,357</b>	<b>3,517,595</b>

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

## AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013  
(Currency - In thousands of Turkish Lira ("TL"))

	Note	2013	2012
Interest income	25	515,006	331,810
Interest expense	25	(243,494)	(189,062)
<b>Net interest income</b>		<b>271,512</b>	<b>142,748</b>
Fees and commission income	26	98,183	59,382
Fees and commission expense	26	(19,793)	(11,614)
<b>Net fee and commission income</b>		<b>78,390</b>	<b>47,768</b>
Net trading (loss) / income	27	(9,348)	3,054
Sales income		35,110	-
Other income	28	25,745	27,672
<b>Operating income</b>		<b>401,409</b>	<b>221,242</b>
Net impairment loss on financial assets	12, 29	(43,416)	(10,003)
Impairment on stock		(1,141)	-
Personnel expenses	30	(88,995)	(55,792)
Depreciation and amortisation		(12,682)	(4,702)
Administrative expenses	31	(43,797)	(23,517)
Cost of sales		(3,337)	-
Cost of services		(20,930)	-
Other operating expenses	32	(24,758)	(9,520)
<b>Total operating expenses</b>		<b>(239,056)</b>	<b>(103,534)</b>
Share of profit of equity accounted investee	13	(191)	-
<b>Profit before income tax</b>		<b>162,162</b>	<b>117,708</b>
Income tax expense	21	(36,765)	(22,664)
<b>Net profit for the year from continuing operations</b>		<b>125,397</b>	<b>95,044</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:		<b>133</b>	-
Change in actuarial gain related to employee benefits		166	-
Tax effect		(33)	-
Items that are or may be reclassified subsequently to profit or loss:		<b>(18,941)</b>	<b>15,199</b>
Change in fair value of available-for-sale financial assets		(25,173)	19,002
Foreign currency translation differences		1,197	-
Income tax on other comprehensive income	21	5,035	(3,803)
<b>Other comprehensive income for the year, net of tax</b>		<b>(18,808)</b>	<b>15,199</b>
<b>Total comprehensive income for the year</b>		<b>106,589</b>	<b>110,243</b>
Profit attributable to			
Equity holders of the Bank		125,263	95,044
Non-controlling interest		134	-
<b>Profit for the year</b>		<b>125,397</b>	<b>95,044</b>
Total comprehensive income attributable to:			
Equity holders of the Bank		106,455	110,243
Non-controlling interest		134	-
<b>Total comprehensive income for the year</b>		<b>106,589</b>	<b>110,243</b>

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 2013  
(Currency - In thousands of Turkish Lira ("TL"))

	Note	Share capital	Adjustment to share capital	Legal reserves	Fair value reserve	Translation reserve	Revaluation surplus	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2013												
Total comprehensive income for the year		230,000	5,448	6,931	8,139	-	25,660	-	182,114	458,292	-	458,292
Profit for the year		-	-	-	-	-	-	-	125,263	125,263	134	125,397
- Other comprehensive income												
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 other comprehensive income		-	-	-	(20,138)	1,197	-	-	133	(18,808)	-	(18,808)
Total comprehensive income for the year		-	-	-	(20,138)	1,197	-	-	125,396	106,455	134	106,589
Transactions with owners, recorded directly in equity												
Capital increase in cash	24	298,000	-	-	-	-	-	-	-	298,000	-	298,000
Transfers to share capital		169,085	(938)	-	-	-	(25,660)	-	(142,487)	-	-	-
Transfer to reserves		-	-	4,348	-	-	-	86	(4,434)	-	-	-
Total transactions with owners, recorded directly in equity		467,085	(938)	4,348	-	-	(25,660)	86	(146,921)	298,000	-	298,000
Changes in ownership interest in subsidiaries												
Acquisition of non-controlling interests through business combination		-	-	-	-	-	-	-	-	-	244	244
Transaction with under common control	4	-	-	-	-	-	-	-	(29,177)	(29,177)	-	(29,177)
Transactions with owners of non-controlling interests		-	-	-	-	-	-	-	-	-	306	306
Total transactions with owners		-	-	-	-	-	-	-	(29,177)	(29,177)	550	(28,627)
At 31 December 2013		697,085	4,510	11,279	(11,999)	1,197	-	86	131,412	833,570	684	834,254

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 2013  
(Currency - In thousands of Turkish Lira ("TL"))

	Note	Share capital	Adjustment to share capital	Legal reserves	Fair value reserve	Translation reserve	Revaluation surplus	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2012												
		230,000	5,448	4,429	(7,060)	-	25,660	-	89,572	348,049	-	348,049
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	95,044	95,044	-	95,044
- Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets		-	-	-	15,199	-	-	-	-	15,199	-	15,199
Total other comprehensive income		-	-	-	15,199	-	-	-	-	15,199	-	15,199
Total comprehensive income for the year		-	-	-	15,199	-	-	-	95,044	110,243	-	110,243
Transactions with owners, recorded directly in equity												
-Contributions by and distributions to owners		-	-	-	-	-	-	-	-	-	-	-
Capital increase in cash	31	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity		-	-	-	-	-	-	-	-	-	-	-
Transfers												
Transfer to legal reserves		-	-	2,502	-	-	-	-	(2,502)	-	-	-
At 31 December 2012		230,000	5,448	6,931	8,139	-	25,660	-	182,114	458,292	-	458,292

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



AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows for the Year Ended 31 December 2013  
(Currency - In thousands of Turkish Lira (“TL”))

	Note	2013	2012
<b>Cash flows from operating activities</b>			
Net profit for the year		125,397	95,044
Adjustments for:			
Depreciation and amortisation	15, 16	12,682	4,702
Retirement pay provision expense	22	1,670	327
Unused vacation provision expense		677	401
Impairment on financial assets	12	43,416	9,960
(Reversal) / impairment of non-cash loans		-	(2,745)
Net interest income	25	(271,512)	(142,748)
Share of profit of equity investee		(191)	-
(Reversal) / provision for possible losses		7,000	(5,000)
Unrealised foreign exchange loss / (gain)		(13,367)	12,305
Unrealised gain on derivative transactions		(1,057)	(529)
Other expense accruals		-	(3,271)
Income tax	21	36,765	22,664
		(58,520)	(8,890)
Change in reserve deposit at Central Bank		(147,697)	(62,024)
Change in trading assets		902	110
Change in loans and advances to customers		(1,136,533)	(689,135)
Change in other assets		(97,584)	(3,709)
Change in obligations under repurchase agreements		139,759	46,834
Proceeds from borrowings		495,373	110,480
Change in other liabilities and provisions		(79,013)	46,318
		(824,793)	(560,016)
Interest received		623,795	301,546
Interest paid		(728,555)	(182,400)
Retirement pay provision and unused vacation paid	22	(84)	(88)
Income tax paid	21	(26,161)	(18,505)
<b>Net cash used in operating activities</b>		<b>(131,005)</b>	<b>(459,463)</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities		(1,210,349)	(922,959)
Sale of investment securities		961,293	837,263
Purchase of tangible assets	15	(165,344)	(4,405)
Equity accounted investees		(7,287)	-
Proceeds from the sale of tangible assets		-	98
Purchase of intangible assets	16	(8,997)	(2,853)
Acquisition of subsidiaries		(35,072)	-
Development expenditure	16	(8,005)	(3,863)
Proceeds from sale of held to maturity investments		-	3,656
<b>Net cash used in investing activities</b>		<b>(473,761)</b>	<b>(93,063)</b>
<b>Cash flows from financing activities</b>			
Proceeds from debt securities issued		3,112,171	7,765,529
Repayment of debt securities issued		(2,135,851)	(7,111,190)
Change in financial lease liabilities		32,228	-
Proceeds from share capital increase	24	298,000	-
<b>Net cash provided from financing activities</b>		<b>1,306,548</b>	<b>654,339</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(181,531)</b>	<b>101,813</b>
Effect of exchange rate fluctuations on cash		1,845	(481)
Cash and cash equivalents on 1 January	8	376,119	274,776
<b>Cash and cash equivalents on 31 December</b>	<b>17</b>	<b>196,433</b>	<b>376,108</b>

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

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2013  
(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 / İstanbul, and the Bank have also seven branches.

The Bank employs 623 people as at 31 December 2013 (31 December 2012: 436).

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 center, 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 Readürans 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.

E-Post Elektronik Perakende Otomasyon Satış Ticaret A.Ş. (E-Post): Aktif Nokta 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 22 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 recorders import, manufacture, sales and technical services.

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

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2013  
(Currency - In thousands of Turkish Lira (“TL”))

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”).

The consolidated financial statements were authorised for issue by the Bank’s management on 14 February 2014. The Bank’s General Assembly and the other reporting bodies have the power to amend the consolidated financial statements after their issue.

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 assets are measured at fair value

2.3 Functional and presentation currency

These consolidated financial statements are presented in TL, which is the Bank’s functional currency. Except as otherwise 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 in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and in the measurement of income and expenses in the profit and loss statement and in the carrying value of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the consolidated financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

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 and 5.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2013  
(Currency - In thousands of Turkish Lira (“TL”))

2.5 Change in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- a) IFRS 10 Consolidated Financial Statements (2011)
- b) IFRS 12 Disclosure of Interests in Other Entities
- c) IFRS 13 Fair Value Measurement
- d) Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- e) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- f) IAS 19 Employee Benefits (2011)

The nature and the effects of the changes are explained below.

a) Subsidiaries, including structured entities

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed its control conclusions as of 1 January 2013. The change did not have a material impact on the Group’s consolidated financial statements.

b) Interests in other entities

As a result of IFRS 12, additional disclosures should be made by the Group.

c) Fair value measurement

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, as set out in Note 3.10, prospectively. The change had no significant impact on the measurements of the Group’s assets and liabilities, but the Group has included new disclosures in the consolidated financial statements, which are required under IFRS 13.

d) Offsetting financial assets and financial liabilities

As a result of the amendments to IFRS 7, additional disclosures should be made by the Group.

e) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income (“OCI”) in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

f) Post-employment defined benefit plans

As a result of IAS 19 (2011), the Group started to recognize all actuarial gains and losses immediately in other comprehensive income in accordance with the change in IAS 19 (2011). The Group recognized all actuarial gains and losses in profit or loss in previous years. Since the effect of this change has an immaterial effect on the previous year’s consolidated financial statements, the Group did not restate its consolidated financial statements as at and for the year ended 31 December 2012.



AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2013  
(Currency - In thousands of Turkish Lira (“TL”))

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

Transactions in foreign currencies are translated to the respective functional currencies of the Bank at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate on that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

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

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

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 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.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2013  
(Currency - In thousands of Turkish Lira (“TL”))

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.

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.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2013  
(Currency - In thousands of Turkish Lira (“TL”))

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 %		Indirect ownership %	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
<b>Insurance Brokerage</b>					
Sigortayeri Sigorta ve Reasürans Brokerlığı A.Ş.	Turkey	100.00%	-	-	-
<b>Payment Systems</b>					
Epost Elektronik Perakende Otomasyon Satış Tic. A.Ş.	Turkey	99.27%	-	-	-
E-Kent Teknoloji ve Ödeme Sistemleri San ve Tic. A.Ş.	Turkey	-	-	99.27%	-
<b>Real Estate</b>					
Emlak Girişim Danışmanlığı A.Ş.	Turkey	100.00%	-	-	-
<b>Service</b>					
Pavo Teknik Servis Elektrik Elektronik Sanayi ve Ticaret A.Ş.	Turkey	-	-	79.42%	-

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2013  
(Currency - In thousands of Turkish Lira (“TL”))

Equity accounted investees	Country of Incorporation	Ownership %
Kazakhstan Ijara Company Jsc	Kazakhstan	14.31
İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	Turkey	5.00

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.



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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.

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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

Policy applicable from 1 January 2013

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.

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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.

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.

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

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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.



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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 investment securities 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 debt 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.

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.

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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 Group 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, labor 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 Bank 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 2013 and 2012 are as follows:

- |                          |            |
|--------------------------|------------|
| • tangible assets        | 5 years    |
| • furniture and fixtures | 5 years    |
| • motor vehicles         | 5 years    |
| • other fixed assets     | 4-50 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.



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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 1 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 goodwill), 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.

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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 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.

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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.

The adoption of the amendment to IAS 19 has no significant impact on liabilities and comprehensive income of the Group as at 31 December 2012, therefore IAS 19 is not applied retrospectively. 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.

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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.

3.30 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial information of the Group, with the exception of:

IFRS 9 Financial Instruments (2013), IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009) (together, IFRS 9)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces new requirements for hedge accounting. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset’s contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss.



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The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability’s credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted.

The Group has started the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted. The Group is still evaluating the potential effect of the adoption of the amendments to IAS 32.

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

The amendments to IAS 36 reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. Early application is permitted, which means that the amendments can be adopted at the same time as IFRS 13. The Group is still evaluating the potential effect of the adoption of the amendments to IAS 36.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted. The Group is still evaluating the potential effect of the adoption of the amendments to IAS 39.

IFRIC 21 Levies

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect on the Group’s consolidated financial statements.

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4. 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.

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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 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Carrying amount	82,873	16,155	6,157	-	3,580,143	2,366,560	644,789	571,521
Assets at amortised cost								
Individually impaired								
- Non-performing financial assets	-	-	-	-	87,945	16,001	-	-
Gross amount	-	-	-	-	87,945	16,001	-	-
Allowance for impairment	-	-	-	-	(54,145)	(16,001)	-	-
Collectively impaired								
- Non-performing financial assets	-	-	-	-	8,184	2,912	-	-
Gross amount	-	-	-	-	8,184	2,912	-	-
Allowance for impairment	-	-	-	-	(8,184)	(2,912)	-	-
Carrying amount	-	-	-	-	33,800	-	-	-
Neither past due nor impaired								
- Low risk	82,873	16,155	6,157	-	3,149,998	1,797,207	-	-
- Medium risk	-	-	-	-	228,459	373,742	-	-
- High risk	-	-	-	-	19,393	75,659	-	-
- Non graded	-	-	-	-	148,493	119,952	-	-
Carrying amount amortised cost	82,873	16,155	6,157	-	3,546,343	2,366,560	-	-
Available for sale assets								
Individually impaired								
- Non-performing financial assets	-	-	-	-	-	-	-	-
Gross amount	-	-	-	-	-	-	-	-
Allowance for impairment	-	-	-	-	-	-	-	-
Carrying amount	-	-	-	-	-	-	-	-
Neither past due nor impaired								
- Low risk	-	-	-	-	-	-	644,789	571,521
- Medium risk	-	-	-	-	-	-	-	-
- High risk	-	-	-	-	-	-	-	-
- Non graded	-	-	-	-	-	-	-	-
Carrying amount fair value	-	-	-	-	-	-	644,789	571,521
Total carrying amount	82,873	16,155	6,157	-	3,580,143	2,366,560	644,789	571,521

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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 deposits 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 Group 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 assets	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 2013	Derivatives trading assets		2,482	-	2,482	(2,482)	-
31 December 2012	Derivatives trading assets		4,175	-	4,175	(4,175)	-

				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 assets	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 2013	Derivatives trading liabilities		1,475	-	1,475	(1,475)	-
31 December 2012	Derivatives trading liabilities		3,244	-	3,244	(3,244)	-



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Impaired loans and advances to customers and investment securities

Impaired loans and advances to customers and investment debt securities 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 and investment debt securities.

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 and investment debt security portfolio. 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 or investment debt security balance, and any related allowances for impairment losses, when Bank determines that the loan or security 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 and collectively impaired assets by risk grade.

	Loans and advances to customers		Investment securities	
	Gross	Net	Gross	Net
31 December 2013				
Individually impaired	87,945	33,800	-	-
Collectively impaired	8,184	-	-	-
31 December 2012				
Individually impaired	16,001	-	-	-
Collectively impaired	2,912	-	-	-

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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 2013	31 December 2012
Against neither past due nor impaired		
- Cash blockage	39,261	168,597
- Pledge on assets	109,069	140,690
- Cheques and notes	4,152	-
Against past due but impaired		
- Cash blockage	-	-
- Pledge on assets	6,056	5,326
Against individually impaired		
- Pledge on assets	3,150	848
Total	161,688	315,461

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

Non-cash loans	31 December 2013	31 December 2012
Cash blockage	39,235	134,249
Pledge on assets	66,692	11,622
Cheques and notes	-	-
	105,927	145,871

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.

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Trading assets and investment securities (available-for-sale portfolio)

The Bank held trading assets, investment securities (available-for-sale portfolio) including derivative assets of TL 651,037 (31 December 2012: TL 576,247). An analysis of the credit quality of the maximum credit exposure is as follows:

	Note	31 December 2013	31 December 2012
Government bonds, treasury bills and investment funds			
- Rated BB- (trading portfolio)	10	3,766	551
- Rated BB- (available-for-sale portfolio)	11	644,789	571,521
Corporate bonds			
- Rated B (available-for-sale portfolio)	11	-	-
Derivative assets:			
- Bank and financial institution counterparties	10	2,482	4,175
<b>Total</b>		<b>651,037</b>	<b>576,247</b>

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:

Sector	31 December 2013				31 December 2012			
	Cash loans	%	Non-cash loans	%	Cash loans	%	Non-cash loans	%
Construction	32,453	1	454,831	46	198,444	8	449,183	40
Financial institution	61,835	2	44,243	4	80,335	3	68,832	-
General services	1,414,991	39	9,380	1	964,680	41	99,464	15
Media	-	-	54,601	5	-	-	51,888	5
Automotive	730	-	16,996	2	-	-	25,569	2
Textile	96,033	3	34,835	4	70,602	3	25,305	2
IT industry	-	-	15,000	2	35,061	1	-	-
Electricity industry	-	-	19,091	2	28,313	1	11,493	1
Iron and steel industry	-	-	203	-	192,209	8	7,955	1
Public	-	-	-	-	126	-	5,000	-
Machinery and equipment	4,176	-	17,396	2	7,611	1	1,437	-
Energy industry	-	-	224,958	23	23,466	1	308,176	27
Trade	118,499	3	30,521	3	37,312	2	14,821	1
Other <sup>(*)</sup>	1,851,426	52	71,415	6	728,401	31	66,010	6
	<b>3,580,143</b>	<b>100</b>	<b>993,470</b>	<b>100</b>	<b>2,366,560</b>	<b>100</b>	<b>1,135,133</b>	<b>100</b>

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

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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.

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 2013	31 December 2012
Average for the year	174%	197%
Maximum for the year	219%	267%
Minimum for the year	135%	113%

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
<b>31 December 2013</b>									
Non-derivative liabilities									
Obligations under repurchase agr.	18	538,404	(538,613)	-	(538,591)	(22)	-	-	-
Debt securities issued	20	2,004,194	(2,032,349)	-	(904,250)	(639,757)	(488,342)	-	-
Funds borrowed	19	1,098,274	(1,104,507)	-	(692,393)	(95,888)	(307,102)	(9,124)	-
Trade payables		7,177	(7,177)	-	(7,177)	-	-	-	-
Financial lease liabilities		32,229	(32,229)	-	-	-	(32,229)	-	-
Customer accounts <sup>(*)</sup>	23	456,383	(456,554)	(436,808)	(19,746)	-	-	-	-
<b>Derivative financial instruments</b>									
Outflow	10	(2,482)	377,947	-	346,804	31,143	-	-	-
Inflow	10	1,475	(382,034)	-	(350,964)	(31,070)	-	-	-
		<b>4,135,654</b>	<b>(4,175,516)</b>	<b>(436,808)</b>	<b>(2,166,317)</b>	<b>(735,594)</b>	<b>(827,673)</b>	<b>(9,124)</b>	<b>-</b>

(\*) 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
<b>31 December 2012</b>									
Non-derivative liabilities									
Obligations under repurchase agr.	18	398,586	(399,823)	-	(363,061)	(29,608)	(7,154)	-	-
Debt securities issued	20	1,501,596	(1,532,860)	-	(630,436)	(378,078)	(524,346)	-	-
Funds borrowed	19	524,015	(531,483)	-	(80,851)	(235,017)	(196,987)	(18,628)	-
Customer accounts <sup>(*)</sup>	23	523,758	(523,812)	(523,812)	-	-	-	-	-
Derivative financial instruments									
Outflow	10	4,175	(589,495)	-	(284,258)	(233,780)	(71,457)	-	-
Inflow	10	(3,244)	588,818	-	284,240	233,525	71,053	-	-
		2,948,886	(2,988,655)	(523,812)	(1,074,366)	(642,958)	(728,891)	(18,628)	-

(\*) 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.

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A summary of the Standard Method position of the Bank's portfolios on 31 December 2013 and 2012 and during the period is as follows:

	At the end of the year	Average	Maximum	Minimum
<b>31 December 2013</b>				
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
<b>31 December 2012</b>				
Foreign currency risk	90	167	408	80
Interest rate risk	10,174	8,411	11,719	3,381
Counterparty	1,181	1,011	1,318	710
Equity risk	66	75	86	65
	11,511	9,664	13,531	4,236

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	Un- allocated	On demand	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
<b>31 December 2013</b>									
Cash and cash equivalents	8	196,494	-	145,219	51,275	-	-	-	-
Reserve deposits at Central Bank	9	299,299	-	-	299,299	-	-	-	-
Trading assets	10	6,248	-	-	6,248	-	-	-	-
Loans and advances to customers	12	3,580,143	-	-	2,054,819	171,033	202,840	1,078,891	72,560
Investment securities – AFS	11	644,789	-	-	193,766	45,787	101,438	279,257	24,541
		4,726,973	-	145,219	2,605,407	216,820	304,278	1,358,148	97,101
Obligations under repurchase agr.	18	538,404	-	-	538,404	-	-	-	-
Debt securities issued	20	2,004,194	-	-	1,530,364	467,280	6,550	-	-
Financial lease liabilities		32,229	-	-	-	-	32,229	-	-
Funds borrowed	19	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		1,053,872	-	145,219	(250,205)	(475,311)	189,592	1,347,476	97,101

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	Note	Carrying amount	Un- allocated	On demand	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
<b>31 December 2012</b>									
Cash and cash equivalents	8	376,119	-	369,109	7,010	-	-	-	-
Reserve deposits at Central Bank	9	151,602	-	151,602	-	-	-	-	-
Trading assets	10	4,726	-	-	3,949	777	-	-	-
Loans and advances to customers	12	2,366,560	-	-	1,562,717	37,791	126,086	584,225	55,741
Investment securities – AFS	11	571,521	-	-	84,705	137,284	77,347	246,855	25,330
		<b>3,470,528</b>	<b>-</b>	<b>520,711</b>	<b>1,658,381</b>	<b>175,852</b>	<b>203,433</b>	<b>831,080</b>	<b>81,071</b>
Obligations under repurchase agr.	18	398,586	-	-	391,636	6,950	-	-	-
Debt securities issued	20	1,501,596	-	-	1,000,797	272,564	228,235	-	-
Funds borrowed	19	524,015	-	-	313,531	107,437	85,210	17,837	-
		<b>2,424,197</b>	<b>-</b>	<b>-</b>	<b>1,705,964</b>	<b>386,951</b>	<b>313,445</b>	<b>17,837</b>	<b>-</b>
<b>Interest rate gap</b>		<b>1,046,331</b>	<b>-</b>	<b>520,711</b>	<b>(47,583)</b>	<b>(211,099)</b>	<b>(110,012)</b>	<b>813,243</b>	<b>81,071</b>

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:

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

At 31 December 2012	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Trading securities	-	-	-	-
Investment securities – available-for-sale	-	-	(5,864)	6,124
	<b>-</b>	<b>-</b>	<b>(5,864)</b>	<b>6,124</b>

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Summary of average interest rates

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

	31 December 2013			31 December 2012		
	Euro	USD	TL	Euro	USD	TL
<b>Assets</b>						
Cash and cash equivalents	-	-	8.82	-	-	6.75
Trading assets	-	-	-	-	-	-
Loans and advances to customers	8.63	8.33	12.57	7.83	6.79	11.35
Investment securities – AFS	5.13	11.88	7.51	5.13	11.88	9.43
Investment securities – HTM	-	-	-	-	-	-
<b>Liabilities</b>						
Obligations under repurchase agreements	3.51	3.25	6.97	3.61	1.00	6.11
Debt securities issued	4.53	4.71	10.16	4.06	4.17	9.56
Funds borrowed	2.64	2.46	8.91	1.83	3.02	5.84

Foreign currency risk

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)	(371,287)
<b>Net statement of financial position</b>	<b>(74,459)</b>	<b>(233,430)</b>	<b>948</b>	<b>(306,940)</b>
Forward exchange contracts	74,732	185,416	-	260,148
<b>Net total position</b>	<b>273</b>	<b>(48,014)</b>	<b>948</b>	<b>(46,792)</b>



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31 December 2012	Euro	USD	Other	Total
Cash and cash equivalents	21,999	5,205	2,104	29,308
Reserve deposits at Central Bank	88,037	63,565	-	151,602
Loans and advances to customers	293,133	362,191	-	655,324
Investment securities – AFS	13,718	19,430	-	33,148
Other assets	2,145	19	-	2,164
Funds borrowed	(140,137)	(248,824)	-	(388,961)
Obligations under repurchase agreements	(2,939)	(8,917)	-	(11,856)
Debt securities issued	(68,540)	(89,124)	-	(157,664)
Other liabilities	(261,081)	(38,744)	(9,305)	(309,130)
Net statement of financial position	(53,665)	64,801	(7,201)	3,935
Forward exchange contracts	53,500	(65,813)	8,238	(4,075)
Net total position	(165)	(1,012)	1,037	(140)

Sensitivity analysis

A 10 percent weakening of TL against the foreign currencies on 31 December 2013 and 2012 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 2013	Equity	Profit or loss
Euro	27	3
USD	(4,801)	(4,581)
Other currencies	95	95
	(4,679)	(4,483)
31 December 2012	Equity	Profit or loss
Euro	(17)	83
USD	(101)	51
Other currencies	104	104
	(14)	238

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

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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 Group calculated the value of operational risk in accordance with the fourth section regarding the “Computation of Value of Operational Risk” of the circular, “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette dated 1 June 2007, using gross profit of the last three years 2012, 2011 and 2010 (“the Basic Indicator Approach”). The amount, calculated as TL 23,439 as at 31 December 2013 (31 December 2012: TL 15,882) 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 292,987 (31 December 2012: TL 198,520) 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.

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 28337 of 28 June 2012 from 1 July 2012. Standard Method is used to calculate market risk which is included in computation of capital adequacy ratio.

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 2013, the Bank’s capital adequacy ratio is 13.23% (31 December 2012: 12.34%).

Business combinations

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.

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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:

<b>Consideration transferred</b>	
Cash paid	37,500
<b>Total consideration</b>	<b>37,500</b>
	<b>Recognised values on acquisition</b>
<b>Identifiable assets acquired and liabilities assumed</b>	
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
<b>Total assets</b>	<b>43,327</b>
Funds borrowed	(25,857)
Trade and other payables	(3,366)
Other liabilities	(5,720)
<b>Total liabilities</b>	<b>(34,943)</b>
<b>Total net identifiable assets</b>	<b>8,384</b>
Excess of net assets over cash paid is amounting to TL 29,177 is recognised in "Transactions under common control" directly in equity.	
<b>Total consideration transferred</b>	
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)
	<b>29,177</b>
Cash consideration transferred	37,500
Cash and cash equivalents acquired	(6,568)
<b>Net cash outflow arising on acquisition</b>	<b>30,932</b>

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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.

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 the Net Asset Value Method.

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

<b>Consideration transferred</b>		
Cash paid		4,529
<b>Total consideration</b>		<b>4,529</b>
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Identifiable assets acquired and liabilities assumed</b>		
Cash and cash equivalents	389	389
Trade and other receivables	373	373
Inventories	267	267
Other assets	171	171
Tangible assets	22	22
Intangible assets	6	6
<b>Total assets</b>	<b>1,228</b>	<b>1,228</b>
Trade and other payables	(169)	(169)
Other liabilities	(143)	(143)
<b>Total liabilities</b>	<b>(312)</b>	<b>(312)</b>
<b>Total net identifiable assets</b>	<b>916</b>	<b>916</b>
<b>Goodwill</b>		
Goodwill has been recognised as a result of the acquisition as follows:		
<b>Total consideration transferred</b>		<b>4,529</b>
Non-controlling interest based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree		183
Less: Value of net identifiable assets		(916)
<b>Goodwill</b>		<b>3,796</b>
Cash consideration transferred		4,529
Cash and cash equivalents acquired		(389)
<b>Net cash outflow arising on acquisition</b>		<b>4,140</b>

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5. 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 4).

Key sources of estimation uncertainty

Allowances for credit losses

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

The 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.

For an investment in an equity security, a significant or prolonged decline it its fair value below its cost is objective evidence of impairment: In this respect, the Bank regards a decline in fair value in excess of 20 percent to be “significant” and a decline in a quoted market price that persists for nine months or longer to be “prolonged”.

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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 2013	Note	Level 1	Level 2	Level 3	Total
Trading assets	10	3,766	2,482	-	6,248
Investment securities – AFS portfolio	11	644,789	-	-	644,789
		648,555	2,482	-	651,037
Trading liabilities	10	-	(1,475)	-	(1,475)
		-	(1,475)	-	(1,475)



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At 31 December 2012	Note	Level 1	Level 2	Level 3	Total
Trading assets	10	551	4,175	-	4,726
Investment securities – AFS portfolio	11	571,521	-	-	571,521
		572,072	4,175	-	576,247
Trading liabilities	10	-	(3,244)	-	(3,244)
		-	(3,244)	-	(3,244)

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:

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.

6. 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 Bank’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
<b>31 December 2013</b>								
Cash and cash equivalents	8	-	196,494	-	-	-	196,494	196,494
Trade and other receivables		-	-	-	-	6,157	6,157	6,157
Reserve deposits at Central Bank	9	-	299,299	-	-	-	299,299	299,299
Trading assets	10	6,248	-	-	-	-	6,248	6,248
Loans and advances to customers	12	-	3,580,143	-	-	-	3,580,143	3,432,959
Investment securities – AFS	11	-	-	644,789	-	-	644,789	644,789
		6,248	4,075,936	644,789	-	6,157	4,733,130	4,585,946
Trading liabilities	10	1,475	-	-	-	-	1,475	1,475
Trade and other payables		-	-	-	-	7,177	7,177	7,177
Financial lease liabilities		-	-	-	-	32,229	32,229	32,229
Obligations under rep. agr.	18	-	-	-	-	538,404	538,404	538,404
Debt securities issued	20	-	-	-	-	2,004,194	2,004,194	2,004,194
Funds borrowed	19	-	-	-	-	1,098,274	1,098,274	1,098,274
		1,475	-	-	-	3,680,278	3,681,753	3,681,753
<b>31 December 2012</b>								
Cash and cash equivalents	8	-	376,119	-	-	-	376,119	376,119
Reserve deposits at Central Bank	9	-	151,602	-	-	-	151,602	151,602
Trading assets	10	4,726	-	-	-	-	4,726	4,726
Loans and advances to customers	12	-	2,366,560	-	-	-	2,366,560	2,366,615
Investment securities – AFS	11	-	-	571,521	-	-	571,521	571,521
		4,726	2,894,281	571,521	-	-	3,470,528	3,470,583
Trading liabilities	10	3,244	-	-	-	-	3,244	3,244
Obligations under rep. agr.	18	-	-	-	-	398,586	398,586	398,586
Debt securities issued	20	-	-	-	-	1,501,596	1,501,596	1,501,596
Funds borrowed	19	-	-	-	-	524,015	524,015	524,015
		3,244	-	-	-	2,424,197	2,427,441	2,427,441

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7. Segment reporting

The Bank is operating mainly in retail banking, corporate banking and investment banking.

31 December 2013	Retail banking	Corporate banking	Investment banking	Other	Total
Operating income	165,732	426,177	51,006	-	642,915
Undistributed costs <sup>(1)</sup>	(56,166)	(66,493)	(15,680)	(335,752)	(474,091)
Income from subsidiaries	-	-	-	(6,662)	(6,662)
Profit before tax	109,566	359,684	35,326	(342,414)	162,162
Tax provision	-	-	-	(36,765)	(36,765)
Profit after tax	109,566	359,684	35,326	(379,179)	125,397
Net profit	109,566	359,684	35,326	(379,179)	125,397
Total assets	1,529,199	2,085,247	1,139,884	337,027	5,091,357
Total liabilities and equity	669,208	1,712,855	1,636,657	1,072,637	5,091,357
Other segment items					
Capital investment <sup>(2)</sup>	-	-	-	-	204,741
Depreciation <sup>(2)</sup>	-	-	-	-	12,682
Impairment losses <sup>(2)</sup>	-	-	-	-	-

<sup>(1)</sup> Costs that cannot be allocated according to consistent base.  
<sup>(2)</sup> Other segment costs could not be distributed.

31 December 2012	Retail banking	Corporate banking	Investment banking	Other	Total
Operating income	90,574	285,733	45,611	-	421,918
Undistributed costs <sup>(1)</sup>	(55,895)	(85,963)	-	(162,352)	(304,210)
Income from subsidiaries	-	-	-	-	-
Profit before tax	34,679	199,770	45,611	(162,352)	117,708
Tax provision	-	-	-	(22,664)	(22,664)
Profit after tax	34,679	199,770	45,611	(185,016)	95,044
Net profit	34,679	199,770	45,611	(185,016)	95,044
Total assets	643,509	1,723,051	1,103,968	47,067	3,517,595
Total liabilities and equity	577,710	1,444,732	925,845	569,308	3,517,595
Other segment items					
Capital investment <sup>(2)</sup>	-	-	-	-	11,121
Depreciation <sup>(2)</sup>	-	-	-	-	4,702
Impairment losses <sup>(2)</sup>	-	-	-	-	10,003

<sup>(1)</sup> Costs that cannot be allocated according to consistent base.  
<sup>(2)</sup> Other segment costs could not be distributed.

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8. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash and balances with Central Bank	113,621	359,964
- Cash on hand	4,912	15,144
- Unrestricted balances with Central Bank	108,709	344,820
Placements with other banks	82,873	16,155

Cash and cash equivalents in the statement of financial position196,494376,119

Less: Interest income accruals on cash and cash equivalents(61)(11)

Cash and cash equivalents in the statement of cash flows196,433376,108

9. Reserve deposits at Central Bank

	31 December 2013	31 December 2012
Foreign currency	299,299	151,602
	299,299	151,602

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 2012: 8-11% for TL and 9-11% for USD or EUR).

As at 31 December 2013 and 2012, TL reserve deposits and foreign currency reserve deposits are non-interest earning.

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10. Trading assets and liabilities

Trading assets

	31 December 2013	31 December 2012
<b>Trading securities</b>		
- Government bonds and treasury bills	-	-
- Investment funds	3,766	551
<b>Derivative assets</b>		
- Foreign exchange	2,482	4,175
- Swap contracts	35	51
- Forward contracts	2,407	4,122
- Options	40	2
	6,248	4,726

Trading liabilities

	31 December 2013	31 December 2012
<b>Derivative liabilities</b>		
- Foreign exchange	1,475	3,244
- Swap contracts	-	150
- Forward contracts	1,421	3,092
- Options	54	2
	1,475	3,244

As at 31 December 2013 and 2012, no trading securities are kept for legal requirements and as a guarantee for stock exchange and money market operations.

As at 31 December 2013 and 2012, no trading debt securities pledged under repurchase agreements.

As at 31 December 2013 and 2012, all trading debt securities have fixed interest rates.

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On the reporting date, the total notional amount of outstanding forward foreign exchange contracts to which the Bank is committed are as follows:

	31 December 2013	31 December 2012
Forward foreign exchange contracts – buy <sup>(*)</sup>	273,303	542,969
Forward foreign exchange contracts – sell <sup>(*)</sup>	277,386	542,189
Swap foreign exchange contracts – buy	19,209	44,732
Swap foreign exchange contracts – sell	19,213	44,834
Option contracts-buy	85,435	3,558
Option contracts-sell	85,435	3,558

<sup>(\*)</sup> Includes spot and forward transactions

11. Investment securities

	31 December 2013 Interest rate %	31 December 2013 Latest maturity	31 December 2013 Carrying amount	31 December 2012 Carrying amount
<b>Held-to-maturity investment securities</b>				
- Corporate bonds	-	-	-	-
<b>Available-for-sale investment securities</b>				
- Government bonds	3.69-9.50	15-Jan-30	626,260	571,521
- Corporate bonds	6.69-13.58	04-Jan-16	18,529	-
			644,789	571,521

As at 31 December 2013, TL 20,375 and TL 565,501 of investment securities is given as collateral for performing transaction at stock exchange and repurchase agreement, respectively (31 December 2012: TL 77,009 and TL 431,617, respectively).

As at 31 December 2013, TL 18,516 investment securities are blocked for asset backed securitisation funds (31 December 2012: TL 14,516).



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### 12. Loans and advances to customers

As at 31 December 2013 and 2012, all loans and advances to customers are at amortised cost.

	Gross amount	Impairment allowance 31 December 2013	Carrying amount	Gross amount	Impairment allowance 31 December 2012	Carrying amount
Corporate customers:						
- Finance leases	1,252	-	1,252	1,542	-	1,542
- Other lending	3,641,220	(62,329)	3,578,891	2,383,931	(18,913)	2,365,018
Corporate loans	2,087,244	(36,443)	2,050,801	1,730,420	(6,796)	1,723,624
Consumer loans	1,553,440	(25,886)	1,527,554	652,692	(12,117)	640,575
Factoring receivables	536	-	536	819	-	819
	<b>3,642,472</b>	<b>(62,329)</b>	<b>3,580,143</b>	<b>2,385,473</b>	<b>(18,913)</b>	<b>2,366,560</b>

As at 31 December 2013 TL 1,151,451 (31 December 2012: TL 638,967) of loan and advances to customers are expected to be recovered more than 12 months after the reporting date.

### Allowance for impairment

	31 December 2013	31 December 2012
<b>Specific allowances for impairment</b>		
Balance on 1 January	16,001	8,953
Impairment loss for the year	38,144	7,048
- Charge for the year	43,537	8,250
- Recoveries	(5,393)	(1,202)
<b>Balance on 31 December</b>	<b>54,145</b>	<b>16,001</b>
<b>Collective allowances for impairment</b>		
Balance on 1 January	2,912	-
Impairment loss for the year	5,272	2,912
- Charge for the year	5,272	2,912
<b>Balance on 31 December</b>	<b>8,184</b>	<b>2,912</b>
<b>Total allowances for impairment</b>	<b>62,329</b>	<b>18,913</b>

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### Finance lease receivables

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

	31 December 2013	31 December 2012
Gross investment in finance leases, receivable:		
- Less than one year	-	-
- Between one and five years	1,359	1,752
	<b>1,359</b>	<b>1,752</b>
Unearned future income on finance leases	(107)	(210)
<b>Net investment in finance leases</b>	<b>1,252</b>	<b>1,542</b>
The net investment in finance leases comprises:		
- Less than one year	-	-
- Between one and five years	1,252	1,542
<b>Net investment in finance leases</b>	<b>1,252</b>	<b>1,542</b>

### 13. Equity accounted investees

Carrying amount of equity accounted investees is summarized below:

	31 December 2013	31 December 2012
Kazakhstan Ijara Company Jsc.	8,475	-
İstanbul Finans Merkezi	100	-
Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş. <sup>(*)</sup>	100	-
<b>Equity accounted investees</b>	<b>8,675</b>	<b>-</b>

<sup>(\*)</sup> 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 Parent 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 2013.

The Group's share of income in its equity accounted investees for the year ended 31 December 2013 is TL (191) (31 December 2012: None).

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

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
		504,133	450,235	(5,805)

14. Goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the investment is usually determined from the independent valuation report. For the valuation, estimates of discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investments are taken into account.

An analysis of goodwill as at 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Balance as at 1 January	-	-
Additions (Note 4)	3,796	-
Effect of movements in exchange rates	-	-
Impairment	-	-
Balance as at 31 December	3,796	-

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15. Tangible assets

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Motor vehicles	Work in progress <sup>(*)</sup>	Other fixed assets	Total
Cost							
Balance on 1 January 2012	4,809	1,999	3,020	32	-	585	10,445
Additions	3,170	311	650	-	-	274	4,405
Disposals	-	-	-	-	-	(142)	(142)
Balance on 31 December 2012	7,979	2,310	3,670	32	-	717	14,708
Balance on 1 January 2013	7,979	2,310	3,670	32	-	717	14,708
Acquisitions from subsidiaries (Note 4)	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
Depreciation and impairment							
Balance on 1 January 2012	2,526	1,400	1,666	1	-	137	5,730
Depreciation for the year	1,019	300	487	5	-	96	1,907
Disposals	(6)	-	-	-	-	(38)	(44)
Balance on 31 December 2012	3,539	1,700	2,153	6	-	195	7,593
Balance on 1 January 2013	3,539	1,700	2,153	6	-	195	7,593
Acquisitions from subsidiaries (Note 4)	-	-	-	-	-	-	-
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
Carrying amounts							
Balance on 1 January 2012	2,283	599	1,354	31	-	448	4,715
Balance on 31 December 2012	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

<sup>(\*)</sup> Work in progress includes buildings under construction.

There is no capitalised borrowing costs related to the acquisition of the tangible assets during the year (2012: None).

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### 16. Intangible assets

	Software	Development costs	Total
<b>Cost</b>			
Balance on 1 January 2012	7,737	13,196	20,933
Additions	2,853	-	2,853
Internally developed	-	3,863	3,863
<b>Balance on 31 December 2012</b>	<b>10,590</b>	<b>17,059</b>	<b>27,649</b>
Balance on 1 January 2013	10,590	17,059	27,649
Acquisitions from subsidiaries (Note 4)	-	5,076	5,076
Additions	8,996	843	9,839
Internally developed	-	7,162	7,162
<b>Balance on 31 December 2013</b>	<b>19,586</b>	<b>30,140</b>	<b>49,726</b>
<b>Amortisation</b>			
Balance on 1 January 2012	3,133	2,133	5,266
Amortisation for the year	570	2,225	2,795
<b>Balance on 31 December 2012</b>	<b>3,703</b>	<b>4,358</b>	<b>8,061</b>
Balance on 1 January 2013	3,703	4,358	8,061
Acquisitions from subsidiaries	-	-	-
Amortisation for the year	836	4,000	4,836
<b>Balance on 31 December 2013</b>	<b>4,539</b>	<b>8,358</b>	<b>12,897</b>
<b>Carrying amounts</b>			
Balance on 1 January 2012	4,604	11,063	15,667
Balance on 31 December 2012	6,887	12,701	19,588
Balance on 31 December 2013	15,047	21,782	36,829

There is no capitalised borrowing costs related to the internally development of software during the year (2012: None).

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### 17. Other assets

	31 December 2013	31 December 2012
Assets held for sale	70,121	-
VFF service fee accrual	16,000	-
Guarantees given <sup>(*)</sup>	-	9,350
Transitory accounts	6,257	2,266
Prepaid expenses	6,918	1,929
Receivables from clearing house	118	78
Advances given	5,065	26
Others	13,423	2,602
	<b>117,902</b>	<b>16,251</b>

<sup>(\*)</sup> This balance consist of the guarantees given for the Bank's asset backed securitisation fund named Aktif Yatırım Bankası A.Ş (1) No'lu Varlık Finansman Fonu.

### 18. Obligations under repurchase agreements

	31 December 2013	31 December 2012
Obligations under repurchase agreements-TL	521,367	386,730
Obligations under repurchase agreements-FC	17,037	11,856
	<b>538,404</b>	<b>398,586</b>

### 19. Funds borrowed

	31 December 2013	31 December 2012
Domestic banks – TL	258,364	20,043
Domestic banks – Foreign currency	239,568	105,819
Foreign banks – TL	10,415	115,011
Foreign banks – Foreign currency	589,927	283,142
	<b>1,098,274</b>	<b>524,015</b>

As at 31 December 2013, total balance of funds borrowed is expected to be settled in less than 12 months after the reporting date (31 December 2012: TL 17,837 was expected to be settled in more than 12 months after the reporting date).



AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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20. Debt securities issued

As at 31 December 2013 and 2012, all debt securities issued are at amortised cost.

	31 December 2013	31 December 2012
Debt securities issued-TL	1,742,319	1,343,932
Debt securities issued-FC	261,875	157,664

2,004,1941,501,596

	31 December 2013	31 December 2012
Nominal of debt securities issued	2,075,900	1,569,780
Unaccrued interest expense	(71,706)	(68,184)

2,004,1941,501,596

In 2013, the Bank issued TL debt securities with maturities between 2 January 2014 and 20 November 2014 (2012: 2 January 2013 - 18 December 2013). The interest rate for TL debt securities is between 7.70%-11.50% (2012: 8.33%-13.00%).

In 2013, the Bank issued USD denominated debt securities with maturities between 3 January 2014 and 16 May 2014 (2012: 3 January 2013 - 3 July 2013). The interest rate for foreign currency debt securities is between 3.20%-5.25% (2012: 3.40%-5.00%).

In 2013, the Bank issued EUR denominated debt securities with maturities between 3 January 2014 and 11 August 2014 (2012: 14 January 2013 - 3 July 2013). The interest rate for foreign currency debt securities is between 3.50%-6.37% (2012: 3.75%-4.75%).

21. 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.

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As at 31 December 2013 and 2012, the current tax liability is as follows:

	31 December 2013	31 December 2012
Income tax liability	34,952	27,704
Prepaid taxes	(26,161)	(18,505)
Income taxes payable	8,791	9,199

For the year ended 31 December 2013 and 2012, the income tax expense recognised in profit or loss and income tax recognised directly in equity are as follows:

Recognised in profit or loss

	2013	2012
Current tax expense from continuing operations	(36,684)	(24,922)
Deferred tax from continuing operations	(81)	2,258
- Origination and reversal of temporary differences	(81)	2,258
Total income tax	(36,765)	(22,664)

Income tax recognised directly in equity

	31 December 2013	31 December 2012
Available-for-sale investment securities and		
Actuarial gain/loss		
- Deferred tax	8,918	(1,101)
- Current tax	(3,916)	(2,702)
	5,002	(3,803)

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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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 2013 and 2012 is as follows:

	2013	Rate %	2012	Rate %
Profit for the year	125,397		95,044	
Total income tax expense	36,765		22,664	
Profit before income tax	162,162		117,708	
Income tax using the domestic corporation tax rate 20%	(32,432)	(20.00)	(23,542)	(20.00)
Non-deductible expenses	(604)	(0.36)	(219)	(0.18)
Tax exempt income	(3,729)	(2.30)	1,097	0.93
Total income tax in the profit or loss	(36,765)	(22.65)	(22,664)	(19.25)

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 2013			31 December 2012		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Available-for-sale investment securities	319	-	319	-	(640)	(640)
Held-to-maturity investment securities	-	-	-	-	-	-
Derivative financial instruments	295	(496)	(201)	649	(835)	(186)
Retirement pay liability	354	-	354	70	-	70
Unused vacation liability	438	-	438	303	-	303
Tangible assets and intangible assets	-	(1,043)	(1,043)	-	(284)	(284)
Bonus provision	3,528	-	3,528	2,663	-	2,663
Unearned income commissions	224	-	224	1,267	-	1,267
Other	1,637	(138)	1,499	920	-	920
Deferred tax assets	6,795	(1,677)	5,118	5,872	(1,759)	4,113

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Recognised in the statement of financial position as follows:

	31 December 2013	31 December 2012
Deferred tax assets	5,118	4,113
	5,118	4,113

Movements in temporary differences during the year

	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
31 December 2013				
Available-for-sale investment securities	(640)	(160)	1,119	319
Held-to-maturity investment securities	-	-	-	-
Derivative financial instruments	(186)	(15)	-	(201)
Retirement pay liability	70	284	-	354
Unused vacation liability	303	135	-	438
Tangible assets and intangible assets	(284)	(759)	-	(1,043)
Bonus provision	2,663	865	-	3,528
Unearned income commissions	1,267	(1,043)	-	224
Other	920	579	-	1,499
	4,113	(114)	1,119	5,118

	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
31 December 2012				
Available-for-sale investment securities	549	(88)	(1,101)	(640)
Held-to-maturity investment securities	33	(33)	-	-
Derivative financial instruments	(80)	(106)	-	(186)
Retirement pay liability	22	48	-	70
Unused vacation liability	223	80	-	303
Tangible assets and intangible assets	(252)	(32)	-	(284)
Bonus provision	2,320	343	-	2,663
Unearned income commissions	-	1,267	-	1,267
Other	141	779	-	920
	2,956	2,258	(1,101)	4,113

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Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2013  
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22. Provisions

	31 December 2013	31 December 2012
Provision for possible losses <sup>(*)</sup>	32,000	25,000
Bonus provision	17,639	13,316
Vacation pay liability	2,465	1,513
Employee termination benefits	1,771	351
Provision for non-cash loans	2	2
Other	177	-
<b>Total</b>	<b>54,054</b>	<b>40,182</b>

<sup>(\*)</sup> As at 31 December 2013, the accompanying consolidated statement of financial position includes a general provision amounting to TL 32,000 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.

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 3.25 and TL 3.03 on 31 December 2013 and 2012, 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 2013 and 2012, 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 2013	31 December 2012
Discount rate	3.29%	2.38%

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

	31 December 2013	31 December 2012
Opening balance	351	112
Interest cost	86	16
Service cost	1,584	85
Payment during the year	(84)	(88)
Actuarial difference	(166)	226
<b>Balance at the end of the year</b>	<b>1,771</b>	<b>351</b>

23. Other liabilities

	31 December 2013	31 December 2012
Customer accounts <sup>(*)</sup>	456,383	523,758
Transitory accounts	13,728	17,081
Cash collaterals received	13,919	10,670
Guarantees given	-	9,350
Unearned income	2,312	7,981
Taxes and due payable	10,954	5,378
Expense accrual	4	2,247
Payables to clearing house	128	1,298
Payables to compulsory government funds	2,591	1,039
Other	12,486	3,679
	<b>512,505</b>	<b>582,481</b>

<sup>(\*)</sup> The Bank is not entitled to collect deposits. The customer accounts represent the current balances of loan customers. As at 31 December 2013 there are no time customer accounts (31 December 2012: None).

24. Capital and reserves

	31 December 2013	31 December 2012
<b>Number of common shares</b> , TL 1,000 (in full TL), par value (Authorised and issued)	697,085	230,000

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

	31 December 2013		31 December 2012	
	Amount	%	Amount	%
Çalık Holding A.Ş.	693,074	99.42	227,688	98.99
GAP Güneydoğu Tekstil San. ve Tic. A.Ş.	2,123	0.30	1,224	0.53
Ahmet Çalık	944	0.14	544	0.24
Başak Enerji Elektrik Üretim San. ve Tic. A.Ş.	472	0.07	272	0.12
Irmak Enerji Elektrik Üretim Madencilik San. ve Tic. A.Ş.	472	0.07	272	0.12
<b>Total paid-in-capital</b>	<b>697,085</b>	<b>100.00</b>	<b>230,000</b>	<b>100.00</b>
Restatement effect per IAS 29	4,510		5,448	
<b>Total share capital</b>	<b>701,595</b>		<b>235,448</b>	

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 (31 December 2012:None).

### 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 11,279 (31 December 2012: TL 6,931).

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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 2011, 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 current 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 judgment 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.

### 25. Net interest income

	2013	2012
<b>Interest income</b>		
Loans and advances to customers <sup>(i)</sup>	468,149	286,594
Investment securities	45,552	41,620
Cash and cash equivalents	1,010	3,248
Other	295	348
<b>Total interest income</b>	<b>515,006</b>	<b>331,810</b>
<b>Interest expense</b>		
Debt issued	165,056	141,858
Funds borrowed	33,529	23,708
Money market transactions	31,579	21,239
Other	13,330	2,257
<b>Total interest expense</b>	<b>243,494</b>	<b>189,062</b>
<b>Net interest income</b>	<b>271,512</b>	<b>142,748</b>

<sup>(i)</sup> Includes interest income from factoring receivables.

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### 26. Net fee and commission income

	2013	2012
<b>Fees and commission income</b>		
Remittance fee	7,020	6,512
Financial guarantee contracts issued	13,557	12,724
Intermediary commissions	4,719	15,683
Insurance fee	40,325	14,930
VFF service fee	16,071	-
Commitment fee	7,613	-
Other	8,878	9,533
<b>Total fees and commission income</b>	<b>98,183</b>	<b>59,382</b>
<b>Fees and commission expense</b>		
Financial guarantee contracts issued	721	-
Other	19,072	11,614
<b>Total fees and commission expense</b>	<b>19,793</b>	<b>11,614</b>
<b>Net fees and commission income</b>	<b>78,390</b>	<b>47,768</b>

### 27. Net trading income

	2013	2012
Foreign exchange gain	5,361	6,945
Fixed income	711	2,086
Gain/(loss) from derivative financial instruments	(15,420)	(5,977)
<b>Total</b>	<b>(9,348)</b>	<b>3,054</b>

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### 28. Other income

	2013	2012
Gain on sale of assets	21,619	19,119
Reversal of general provision	32	5,000
VFF profit sharing	1,840	-
Other	2,254	3,553
<b>Total</b>	<b>25,745</b>	<b>27,672</b>

### 29. Net impairment on financial assets

	2013	2012
Specific provision for loans	38,144	7,048
Collective impairment provision for loans	5,272	2,912
Provision for non-cash loans	-	-
Other	-	43
<b>Total</b>	<b>43,416</b>	<b>10,003</b>

### 30. Personnel expenses

	2013	2012
Wages and salaries	54,139	35,974
Bonus provision	22,526	12,625
Compulsory social security obligations	5,415	3,331
Employee termination indemnity and vacation pay liability	2,536	728
Other	4,379	3,134
<b>Total</b>	<b>88,995</b>	<b>55,792</b>

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2013  
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31. Administrative expenses

	2013	2012
Taxes and dues other than on income	9,298	4,381
Consultancy expenses	7,248	1,761
Rent expenses	5,629	4,482
Expenses on vehicles	4,830	2,680
Communication expenses	2,849	2,142
Software maintenance expenses	2,749	1,149
Representation expenses	2,283	974
Travelling expenses	2,031	1,397
Publicity expenses	2,003	2,856
Maintenance expenses	617	138
Reuters expenses	512	459
Subscription expenses	364	149
Others	3,384	949
Total	43,797	23,517

32. Other operating expenses

	2013	2012
Provision for possible losses	7,000	-
Other	17,758	9,520
Total	24,758	9,520

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33. 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 2012: 98.99%).

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 13,635 (31 December 2012: TL 10,658).

Balances with related parties

31 December 2013	Related party balances	Total balance	Rate (%)
Loans and advances to customers	1,842,279	3,580,143	51.46
Other liabilities (Customer accounts)	11,101	456,383	2.43
Debt securities issued	-	2,004,194	-

31 December 2012	Related party balances	Total balance	Rate (%)
Loans and advances to customers	1,275,177	2,366,560	53.88
Other liabilities (Customer accounts)	13,786	523,758	2.63
Debt securities issued	41,152	1,501,596	2.74

Off statement of financial position balances with related parties

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

31 December 2012	Related party balances	Total balance	Rate (%)
Non-cash loans	665,036	1,135,133	58.59



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Transactions with related parties

	2013	2012
Interest income on loans	252,270	142,076
Fee and commission income	8,348	7,809
Rent expenses	3,582	3,386
Accommodation expenses	2,812	1,697

34. Commitments and contingencies

	31 December 2013	31 December 2012
Letters of guarantee	911,639	1,029,256
Letters of credit	47,154	80,501
Acceptance credits	583	459
Other guarantees	34,094	24,917
Total non-cash loans	993,470	1,135,133
Check limits	1,470	2,449
Other commitments	2,083,507	1,534,149
Total	3,078,447	2,671,731

35. Subsequent events

None.

## FACTORY OF AWARDED IDEAS

### **World Leadership in Physical Distribution Channels**

Aktif Bank was awarded with the grand prize for its Aktif Nokta Project, which has been developed for the small enterprises and became widely spread in Turkey in a very short period of time, in the Physical Distribution category of the competition organized by EFMA, one of the leading institutions of European Union's finance and banking sectors.

Aktif Bank has been the only Turkish bank returning with an award.

### **World Leadership in the Innovation in Trade Finance**

Aktif Bank was awarded with the grand prize in the "Innovation in Trade Finance" category for its Credit Insured Finance product in the "Financial World Innovation Awards2013" which is one of the most prestigious platforms where the leading practices in the finance sector are evaluated.

### **Best Pre-Paid Card Product**

"Best Prepaid Card Product" prize in the The Cards & Payments Europe Awards 2013 organized by VRL Financial - Cards International, one of the world's leading institutions in the field of cards and payment systems.

### **Best Consumer Value**

"Best Consumer Value" award in the "Paybefore Europe Awards 2013" competition known as one of the most prestigious prepaid organizations.

### **Most Innovative Card Program & Best Pre-Paid Card Program**

2 awards in the most significant prepaid organization of USA, the Paybefore Awards 2013 in the "Most Innovative Card Program" and "Best General Purpose Reloadable Card Program" categories.

### **Outstanding Achievement with Sigortayeri.com**

Through the Sigortayeri.com web site, "Outstanding Achievement" award in the insurance category at The Interactive Media Awards 2013, selecting the best each year from among thousands of applications.

and 14 awards from various international competitions in 2013...

