2013
Annual
Review

Anadolubank

Focusing on a
more efficient future!

CONTENTS

Our business is our greatest strength:

More success, more growth

ANADOLUBANK IN BRIEF

Acquired from the Turkish Privatisation Administration by the HABAŞ Group in 1997, Anadolubank is currently one of the youngest, most dynamic and reputable institutions of the Turkish banking sector. Heading out with three branches under the umbrella of the HABAŞ Group, the Bank has reached 115 branches in 16 years thanks to its 2,111 employees and advanced information technologies supporting its business processes. It has built up an active structure and has successfully managed to continuously raise its level of performance by meeting all the requirements of contemporary banking within a short period of time, thanks to its efficient, profitable and sustainable growth strategy.

Anadolubank closely follows the dynamics in the banking sector with a proactive approach, and presents one of the best practices of banking with its wide product range and customer oriented approach. The Bank also makes a difference with its competitive pricing and innovative applications, making no compromises in contemporary risk management principles.

Along with core banking services, Anadolubank also offers a diverse range of services in the fields of commercial, retail and individual banking. However, the Bank's primary strategic goal is to become Turkey's SME bank. The Bank has carried out a drastic change in its organisational and operational structure in recent years in order to meet all types of financial requirements of SMEs, which are considered as the basis of the country's economy, to provide a more effective service in this field, and to enhance efficiency.

Producing innovative and creative solutions by taking the changing needs of its customers into consideration, Anadolubank acts upon the principle of original and high quality service. Anadolubank, configuring the services of innovation/creativity and product development as an alternative line of business, has shown remarkable success in just a short span of time. The main factor behind this success is the fact that it has internalised a corporate culture that is carefully protected by all employees.

Aside from Anadolubank's domestic success, its reputation in the international market is growing day by day, further assisted by the persistent and productive relationships established with correspondent banks, based on mutual cooperation. Having established a strong network of more than 900 correspondent banks, boosted by its successful marketing strategy, advanced technological infrastructure and expert staff, Anadolubank is able to easily access regions with high business potential and expand its foreign trade volume each year.

Identifying the most significant elements of its corporate identity as reliability, transparency and high quality service, Anadolubank aims to confirm and maintain its position in the national banking environment in the upcoming years with a healthy and sustainable growth perspective. Anadolubank will proceed on its path with the aim of becoming one of the longest-established and most reliable firms in the Turkish banking sector together with its robust capital structure, experienced senior management staff and employees that are the best in the sector.

HABAŞ GROUP

Leading the industrial and medical gases sector, HABAŞ has widespread facilities, an extensive dealer network, and technical support and maintenance teams throughout the country. In parallel with rising demand for industrial and medical gases in Turkey, the Group improved and expanded its production, storage and transport facilities, as well as its sales points and product range. Following the liberalisation of the natural gas sector, the Group acquired the necessary licenses and further strengthened its pioneer position in the market with liquefied natural gas (LNG), liquefied petroleum gas (LPG) and compressed natural gas (CNG) products.

Aiming to be involved in every field of energy, HABAŞ also undertook large-scale investments in power generation. After upgrading the capacity of the energy production plants, which were originally installed especially to meet the needs of only the Group companies, HABAŞ today ranks among Turkey's leading power generation companies with an installed capacity of 300 MWH.

Another sector pioneered by HABAŞ is iron and steel production. After commencing iron and steel production in 1987, the Group currently has a production capacity of 4.7 million tons of liquid steel. Exporting the majority of its production to various countries on five continents, HABAŞ has achieved an annual export volume of $ 1.7 billion and total foreign trade volume of $ 3.3 billion.The port facilities owned by the Group are among the largest facilities in the country, with high loading and unloading capacities, and serve mainly for import and export transactions.

Another of HABAS' fields of operation is the construction of industrial plants. Building turnkey processing plants, air separation plants, steel production plants, rolling mills, power generation plants and gas filling and storage plants for a variety of industrial sectors, HABAŞ also offers engineering services in this area.

For many years now, HABAŞ has ranked among the top industrial enterprises in Turkey in terms of sales and exports, according to the country's top 500 industrial enterprises list published by the Istanbul Chamber of Industry. HABAŞ Sınai ve Tıbbi Gazlar İstihsal Endüstrisi A.Ş. (HABAŞ Industrial and Medical Gases), a leading company in the Group, was ranked 11th among the top 500 industrial enterprises for its performance in sales from production, and 10th for its performance in export volume, in 2010.

As of the end of 2013, HABAŞ's total sales turnover reached $ 3 billion. Fitch Ratings has affirmed HABAŞ's National Long-term rating at 'A-(tur)'. Fitch has also affirmed HABAŞ's long-term foreign currency and local currency Issuer Default Rating (IDR) at 'B+'. The outlook on all ratings are "Stable".

Experience of the past, investments of the future:

A Turkish Pioneer with dynamic energy

Turkey's Own Bank:

Sustainable growth, exhilarating success

MESSAGE FROM THE CHAIRMAN

Despite grave uncertainty and volatility in the financial markets, we have completed another successful year thanks to our healthy level of liquidity, balanced and secure policies, guided by our experience, which always enhances every step of the way. In 2013, as well as supporting the Turkish economy with our determined, prudent and stable stance, we also showed once more that we are resistant to all types of financial circumstances.

Many countries around the world, especially the developed countries, posted negative growth from 2009, the year in which the global crisis severely impacted indicators, until the first quarter of 2013. Instability in economic balances, unemployment, and social and political turmoil have not yet been overcome. The Turkish economy grew by 4% in the first 9 months of 2013, whereas the global economy is still struggling to come to terms with the repercussions of the global crisis.

The fact that Turkey has obtained an "investable country" note from 2 different rating agencies for the first time in 19 years in 2013, demonstrates that our country's success over the last 10 years is also appreciated in the international arena. We have witnessed that external developments, such as FED decisions, developments in the US economy, and the probability of intervention in Syria, as well as internal developments, such as political turmoil and the interest rate hike by the Central Bank of the Republic of Turkey, struck major blows.

Anadolubank is proud to have completed another successful year in terms of operational and financial results, thanks to its robust capital structure and profitability, despite the fluctuations in the global markets and consequent periods of pressure on the country's economy. The consolidated asset size, which was TL 7.362 billion at the end of 2012, grew by 22.5% to TL 9.018 billion by the end of the year. Our Bank recorded growth of 22.6% in consolidated loans, establishing a ratio of loans to total assets at 68.70%. Continuing operations with a capital adequacy ratio of 14.6%, our Bank managed to maintain its reliable structure as a result of its prudent policies, and achieved a net consolidated profit of TL 110 million, as a result of successful operations in 2013.

Focusing on the real sector, in line with its strategic objectives, the Bank is proud to be prepared for any type of environment, thanks to its efficiency oriented banking approach, proactive ethos and prudent risk management principles, guiding growth perseverance. The Bank provides a plethora of services in all regions covered by its branch network, and plans to grow and become the driving force of Turkey on the basis of its services in a range of segments from Agriculture and Micro to the Commercial segment. All the while, the Bank's goal is to achieve stable growth on solid foundations, and to obtain a larger share of the market.

I would like to express my sincere gratitude on behalf of our Bank, with all the hallmarks of a young and dynamic institution, such as tenacity and enthusiasm, to our employees for their intense diligence, to our customers for their concrete trust, and to our business partners and social stakeholders for their unlimited support.

Sincerely,

Mehmet Başaran
Chairman of the Board of Directors

MESSAGE FROM THE GENERAL MANAGER

We feel a sense of immense pride in emerging from the year 2013 with many advances on behalf of our Bank. Besides our pleasure in signing off on a profitable year, we are also proud to be a key contributor to the growing power and prestige of Turkey, at domestic and international levels, thanks to our circumspect and prudent banking principles.

The world is undoubtedly going through a difficult period, and our country is also affected by this landscape. Due to the high import dependency of Turkey's exports, and to a general backdrop of low savings rates, our country continues to be dependent on foreign financing. This is a key factor in the country's vulnerability to external risk. The importance of an effective and efficient financing policy for the trust economy can be easily understood by considering the fact that the policies in the changing global economic map are not formed only according to economic models, but as a result of political economics.

Effective and efficient banking policies form the backbone of Anadolubank's banking approach. On this basis, it is a great pleasure for me to take this occasion to share our success, which is clearly reflected in our operational and financial results, on behalf of our Bank, which further reinforces its strong position in the finance sector with each passing year, with our shareholders, employees, customers and each and every one of our esteemed social and economic stakeholders.

In 2013, the most significant development for Anadolubank was the expansion of the branch network. Anadolubank has managed to maintain its stable growth performance, while continuing to develop its products and services with a proactive approach. It has continued to strongly support the Turkish economy and the real sector by prioritising on every kind of commercial-based business, and has continued its operations by focusing on its area of specialisation, without deviating from its strategic targets. Foreseeing that the Agriculture-Micro-SME market, which is expanding in parallel with the growth of the country, will also ignite innovation and growth in the upcoming periods, Anadolubank has strategically focused itself on this area. In order to achieve this aim, Anadolubank reached a total of 115 branches, following the opening of 24 new branches in 2013.

Anadolubank, as ever, follows a prudent credit policy against any kind of turmoil that occurs or may occur around the world, in Turkey and in the finance sector. Anadolubank's 2013 operating results have remained on this stable course.

The number of branches in Agricultural Banking, one of the Bank's key areas of operation, climbed to 38, following the opening of 10 new agriculture oriented branches, and the addition of agricultural portfolios to our existing city branches. Loans in this segment went up by 51.7% as a result.

These achievements were recognized and reflected in the evaluations of Fitch Ratings, which confirmed Anadolubank's credit rating as BB+, and outlook as "stable", in November 2013.

Dear shareholders,

As always, it is our prudent risk policies, dynamism and strategic perspective that lie behind all of our achievements. In the firm belief that the year 2014 will confirm our strength, I would like to express my sincere gratitude to our dedicated staff, who have contributed fully to the remarkable data in this report, to our shareholders for their unrelenting support, and to our customers who have assisted intensely in our outstanding success, our business partners and all of our social stakeholders. I would also like to underline that we, Anadolubank, will continue to stride forward towards our goal of achieving the leading position among the medium-sized commercial banks of the sector, and to carry our country to a more solid future.

Gökhan Günay
Member of the Board of Directors and General Manager

More and more each year:

Developing a branch network, expanding our service structure

SENIOR MANAGEMENT

The secret of our success:

The right decision-making mechanisms

(1) İsmet DEMİR
Assistant General Manager
Human Resources

(2) Tunç BERGSAN
Assistant General Manager
Information Technologies

(3) Merih YURTKURAN
Assistant General Manager
International Banking

(4) Ali Tunç DORÖZ
Assistant General Manager
Loans

(5) Gökhan GÜNAY
Member of the Board of Directors and General Manager

(6) Kürşad ORHUN
Assistant General Manager
Operations

(7) Recep ATAKAN
Assistant General Manager
Treasury

(8) Taner AYHAN
Assistant General Manager
Retail Banking and Insurance

(9) Hüseyin ÇELİK
Assistant General Manager
Financial Affairs

More efficiency step-by-step:

Together we are stronger

CAPITAL AND SHAREHOLDING STRUCTURE

Anadolubank was established as a private sector deposit bank, via a division of the assets of Etibank Bankacılık A.O., within the framework of the Law on Regulation of Privatisation Applications dated November 24, 1994 and numbered 4046. The relevant decree was issued in the Official Gazette on October 11, 1996.

All of the shares of Anadolubank were transferred to the new shareholders of the Bank by the Privatisation Administration on May 7, 1997. The Bank went into action on September 25, 1997 with the permission of the Undersecretariat of Treasury dated August 25, 1997 and numbered 39692.

With 115 branches and 2,111 employees spread throughout the major regions of Turkey, Anadolubank is a bank which provides short term working capital and commercial finance to small and medium-sized enterprises.

69.98% of the shares of Anadolubank, which is under control of the Başaran Family, belong to HABAŞ Sınai ve Tıbbi Gazlar İstihsal Endüstrisi A.Ş. (HABAŞ), and 27.32% of the shares belong to M. Rüştü Başaran.

Shareholding Structure

	Current	
Trade Name/Name, Family Name of the Shareholder	**Share in the Capital (TL)**	**Distribution of Shares (%)**
HABAŞ Sınai ve Tıbbi Gazlar İstihsal Endüstrisi A.Ş	419,866,933	69.98
Mehmet Rüştü Başaran	163,894,945	27.32
Aysel Başaran	6,956,583	1.16
Erol Altıntuğ	3,790,100	0.63
Elif Altıntuğ	3,728,961	0.62
HABAŞ Endüstri Tesisleri A.Ş.	1,200,000	0.20
Fikriye Filiz Haseski	562,478	0.09
Total	**600,000,000**	**100**

SUMMARY FINANCIAL HIGHLIGHTS (CONSOLIDATED)

Financial Ratios (%)	2013	2012
Return on average equity (ROE)	8.82	15.84
Return on average assets (ROA)	1.34	2.50
Net interest margin (NIM)	4.77	6.34
Efficiency ratio	58.75	43.30
Capital adequacy ratio (BIS)	14.56	17.95
Total equity to total liabilities	15.74	20.86

ASSETS		
Cash and balances with the Central Bank	859,118	661,375
Deposits with banks and other financial institutions	340,836	272,087
Receivables from reverse repo transaction	150,032	80,014
Financial assets at fair value through profit or loss	139,755	153,480
Derivative financial assets held for trading purpose	75,670	18,229
Investment securities	973,603	875,878
Available for sale investment	755,941	700,680
Investment held to maturity	217,662	175,198
Loans and receivables	6,197,691	5,058,518
Property and equipment	26,929	24,094
Intangible assets	2,635	2,906
Deferred tax assets	13,865	3,865
Other assets	238,190	211,867
Total assets	**9,018,324**	**7,362,313**

LIABILITIES AND SHAREHOLDERS' EQUITY	2013	2012
Deposits from banks	323,528	209,109
Deposits from customers	5,604,217	4,493,886
Obligations under repurchase agreements	811,840	592,810
Funds borrowed	668,432	368,846
Derivative financial liabilities held for trading purpose	33,620	6,625
Deferred tax liabilities	-	37,747
Other liabilities and provisions	350,214	374,898
Income taxes payable	317	7,743
Total liabilities	**7,792,168**	**6,091,664**
Share capital	602,619	602,619
Reserves	60,118	205,923
Retained earnings	561,279	459,959
Total equity attributable to equity holders of the Bank	**1,224,016**	**1,268,501**
Minority interest	**2,140**	**2,148**
Total shareholders' equity	**1,226,156**	**1,270,649**
Total liabilities and shareholders' equity	**9,018,324**	**7,362,313**

CREDIT RATINGS

FITCH Ratings: September, 2013

Foreign Currency	
Long Term	BB+
Outlook	Stable
Local Currency	
Long Term	BB+
Outlook	Stable
National	
Long Term	AA(tur)
Individual Rating	**BB+**
Support Rating	**5**

MOODY'S: December, 2012[*]

Foreign Currency	
Long Term	Ba2/NP
Outlook	Stable
Local Currency	
Long Term	Ba1/NP
Outlook	Negative
Financial Strength	
Rating	D+
Outlook	Negative

[*] As of December 2013, the Bank's management has decided not to work with Moody's.

2013 ACTIVITIES

Closely following the rapidly changing financial markets both in Turkey and worldwide, and the dynamics of the banking sector, Anadolubank successfully maintained its stable growth in 2013, as well. Persistent with its strategic targets and focuses in a consistent and stable manner while developing studies on new areas, Anadolubank has achieved a positive differentiation thanks to its advanced technology and know-how. Focusing on the areas in which it has in-depth knowledge and expertise, and benefiting from its competitive advantages, Anadolubank stood out in the sector with its performance in 2013, in terms of its capital structure, growth and profitability.

Anadolubank branches are structured in accordance with the demands of different economic operation groups pertaining to the banking sector. Each branch consists of retail marketing, commercial marketing and SME banking units, depending on the area of operation required by these groups. Conducting their operations in close collaboration with the Bank's operations departments, each unit is headed by an assistant manager who reports directly to the relevant branch manager. The Head Office, which has a similar structure, contains marketing and support service departments under the supervision of Assistant General Managers.

In addition, permanent and temporary committees have been formed in accordance with the Bank's requirements, with the participation of different branches and departments. The relationship between the branches and the various departments of the Head Office is conducted through the workflow systems supported by these committees.

The Head Office departments, excluding the Risk Management Department, Legal Compliance Department, Internal Control Centre and the Board of Inspection, reporting directly to the Board of Directors, are as follows:

- Commercial Banking
- Corporate Banking
- Loans
- Treasury
- International Banking
- Retail Banking and Insurance
- Investment Banking
- Information Technologies
- Operations
- Financial Affairs
- Human Resources

Expertise, experience, profitability:

Solution-oriented banking

COMMERCIAL BANKING

Conducting its activities in Anadolubank's primary strategic business area, the Commercial Banking Department offers innovative and creative solutions to all of its commercial customers, SMEs in particular, thus enhancing their competitive advantage. The main factor that separates Anadolubank from its counterparts is the fast and solution-oriented banking approach. The Bank's commercial banking mission is to create high added value by focusing on the customer, and providing them with the best quality service in line with their demands and expectations.

What lies beneath the commercial banking culture of Anadolubank is the capacity of creating long term and sustainable cooperation with its customers, thanks to its prudent commerce approach. The linchpins of this capacity are our highly qualified human resources, which are able to offer effective and creative solutions to the changing needs of our customers, and the advanced technology we possess.

The Bank's customer density ratio in commercial banking is significantly lower than the sector average thanks to its widespread customer base. This offers the Bank the potential to create assets at a high efficiency ratio, together with a wide range of products.

Anadolubank has raised its number of branches from 91 in 2012 to 115 as of the end of 2013. In 2014, the Bank will continue to grow in terms of the size of its target group, SME customers, by further expanding its branch network, and to provide high quality services by expanding banking services and the volume of business and transactions. The bank aims to reach 150 branches by the end of 2015.

The Commercial Banking Department conducts its activities under two main segments:

- **SME 1**
- **SME 2 and Commercial Banking**

SME 1

Anadolubank has included small enterprises along with medium-sized enterprises in its loans portfolio, through the SME-1 banking segment, since 2005. Anadolubank's main objective in this field is to identify the product requirements of its customer base with an annual turnover of TL 6-12 million, and to accelerate marketing activities for this group. Through diversification of distribution channels created in 2013, more than 1,500 new customers were brought on board, and the share of this segment in total Loans grew by 30%, when compared to the previous year, and reached 24%. Anadolubank aims to intensify its activities in this segment, and to raise the share of SME 1 banking assets in total Loans to 27% in the upcoming period.

The SME-1 segment, which is of great significance in terms of efforts towards enhancing overall efficiency, is also supported by new product designs.

SME 2 AND COMMERCIAL BANKING

This segment is responsible for the implementation of traditional commercial banking activities.

The Commercial Banking segment, which aims to raise the medium and long-term commercial added value of the Bank, consists of:

- SME 2 Banking Unit, which serves customers with an annual turnover of between TL 12 - 25 million,
- Large Commercial and Corporate Banking Unit, which serves customers with an annual turnover of over TL 25 million.

The Commercial Banking segment, operations of which contain the majority of commercial activity, provides services with a customer-oriented approach in strong cooperation with its solution partners. In this way, the number of customers has risen with every passing year and more than 1,000 new customers were acquired in 2013. The share of the total assets of the commercial banking segment in total Loans grew by 24%, when compared to the previous year, and reached 56%.

The development of methods to mediate customers' cash flows, commissioning of new commercial banking products and services, conducting of customer and market analysis, and the creation of branch-portfolio performance measurement models, are among the Commercial Banking Department's responsibilities. The effective implementation of these activities contributes to the acquisition of new customers, as well as providing solutions for productivity growth.

Maintaining its distinction of being the first and only application in the banking sector, "PotansiyeliM", plays a significant role in the identification of target customers. Through its "corporate memory" feature, the infrastructure, which gives users assistance support, provides the opportunity to closely monitor the stages of a firm, from being identified as a potential target until it is acquired as a customer. On the other hand, growth of 20% was achieved this year, compared to the previous year, in another of the department's areas of interest, the collection of taxes, customs and social security SGK premiums.

In line with the Bank's aim of boosting its activities in the cash flow of its customers, the Department will continue to analyse and provide incentive programmes aimed at channelling customers' loan, deposit and other banking requirements to Anadolubank.

CORPORATE BANKING

Starting to serve the Individual, Micro and Small Enterprise customer groups under the title of Retail Banking in 2007, the Department continued its operations under the title of Corporate Banking after the separation of the individual banking group. The Corporate Banking Department, which provides service to two different customer groups, namely, Micro Enterprises and Corporate Banking, strives to meet the requirements of its customers and to develop products that meet these requirements. The Department successfully continued its activities with this perspective in 2013.

In addition to providing a wide range of products for the needs of micro and corporate firms, tradesmen and new business owners operating in different industries, the Corporate Banking Department carries the companies to the future with fast solutions.

The major loan packages that we offer our customers include:

- **flexible-payment plan loan for KOSGEB members,**
- **flexible-payment plan loan for the Tourism and Health sectors**
- **flexible-payment plan loan for Organised Industrial Zones**
- **mortgage-backed Home to Capital Loans with up to 5-year maturity options**

Even while creating a larger volume and reaching more customers in 2013, the Corporate Banking Department still met the differentiating requirements of micro and corporate customers, by making each and everyone of them feel special and privileged.

- In 2013, the cash loan volume of the Corporate Banking Segment grew by 35%, when compared to 2012, and reached TL 700 million.

- The Corporate Banking Department continued to grow its Micro and Corporate customer base in 2013, as well. Approximately 4,000 new customers were added to the portfolio, while the number of customers with loans rose by 20%.

- The Department made a significant contribution to the Bank's aim of expanding the deposit base in 2013, by means of growing both the foreign exchange and TL Deposit volumes by 8.5% with respect to the previous year.

- The Corporate Banking Department provided services to micro and corporate customers with 171 customer representatives in all 115 branches of the Bank in 2013.

Studies for developing a new credit card based product to meet the financial needs of especially micro customers with weak capital and collateral structure continued in 2013. In addition, the studies for a new credit card package which includes an external guarantor support were also initiated. The Department aims to present these products to the service of our customers in 2014.

AGRICULTURAL BANKING

Anadolubank has been operating in Agricultural Banking for the last 6 years in order to support production, producers and the development of the agro-industry in Turkish agriculture. The Bank has made waves in the sector and continues its exemplary efforts in specialised banking.

Guiding Turkish manufacturers with its product range and consultancy in Agricultural Banking, helps to create differentiation for the Agricultural Banking sector, with new products on the shelves.

Recording growth of 50% in volume compared to the previous year, Agricultural Banking maintains a notable pace in expanding the number of agricultural service branches, in order to provide more support to the nation's agricultural producers. Taking the wealth of geographical features and extremely varied bounteous climatic conditions of our country into consideration, Anadolubank places special emphasis on Agricultural Banking activities, with 36 specialised branches across the country.

In addition, by using the Tarım Kart (Agricultural Card), producers are able to;
Conduct single-payment shopping transactions from the deposit or agricultural loans account through all domestic bank POSs, as well as benefiting from suitable opportunities offered to Tarım Kart holders at Anadolubank's contracted Merchant Members.

Our mission is to meet every kind of demand that the producer needs, such as operating and investing, in the fastest and most appropriate way. Working with a fully-equipped team of staff, who are experts in their field, the Agricultural Banking segment will continue to extend its support to Anatolian producers in the Turkish Agricultural sector.

LOANS

The Loans Division consists of the following 7 departments:

- **Credit Allocation - I Department**
- **Credit Allocation - II Department**
- **Credit Allocation - III Department**
- **Credit Allocation - IV Department**
- **Retail and Consumer Credit Allocation Department**
- **Financial Analysis and Intelligence Department**
- **Credit Control and Risk Monitoring Department**

The allocations departments were established according to annual turnover of the enterprises:

The SME Credit Allocation I-II-III-IV Departments evaluate and finalise loan applications by enterprises with turnovers exceeding TL 2.5 million.

Anadolubank doesn't discriminate between sectors in terms of loan allocations. It includes all companies that are managed with a rational approach, have a strong financial structure, and are resistant to economic crisis in its loans portfolio. However, the Bank takes factors such as the company's background, financial and corporate structure, experience of the partners/ executives, and the conditions of the relevant sector into consideration as well as collateral, in the evaluation process of small and medium sized enterprises.

The Retail and Consumer Credit Allocation Department evaluates and finalises loan applications by enterprises with turnover of up to TL 2.5 million, and applications for consumer or agricultural loans.

The Financial Analysis and Intelligence Department supports the Allocation Departments in the allocations processes in terms of financial analysis and inquiry.

The Credit Control and Risk Monitoring Department ensures that loan allocations are carried out in accordance with the notification terms, and monitors the return of the risks on time. It also ensures that necessary measures are taken by sharing any identified problems with the Allocations Departments and with branches when required. A separate unit formed in this department analyses the credit collaterals (especially cheques and assignments) and evaluates their collectabilities, and ensures that measures are taken for any collaterals that are identified as inadequate.

Anadolubank retains a huge competitive advantage in this area thanks to its faster decision-making process and the flexibility which enables rapid implementation of these decisions. Including all the companies generating added value, and prone to permanent and healthy cooperation in its target customer base, the Bank primarily takes into account the ability of the company to undertake and repay the loan, instead of applying collateral-based allocations.

Rational use of loans supported by cooperations based on mutual confidence

Effective solutions and efficient results through smart risk management

TREASURY

The Treasury Division is responsible for monitoring potential risks that might arise from the Bank's routine operations, as well as managing the assets and liabilities on the Bank's Balance Sheet.

The operations of the Treasury are composed of four main categories: Turkish Lira and foreign exchange liquidity, fixed-income instruments, management of derivative products and management of deposits. Maintaining its portfolio, which consists of a diverse range of products, within the framework of the policies and principles set by the Board of Directors and the Assets and Liabilities Committee, the Treasury Division undertakes and manages only calculated risks and works by taking into account all risks and market opportunities.

The Treasury Division conducts all treasury and securities activities by means of the TL Bonds and Securities Desk, the Treasury FC Desk, Treasury Marketing Desk and the Deposits Desk. Execution of treasury transactions of the Bank's branch customers, and the institutions to which we provide agency services, fall under the responsibility of the Treasury Marketing Desk. The Treasury Division offers the most favourable market opportunities to its customer base through government bonds, Eurobonds, derivatives, mutual funds and special investment opportunities.

Anadolubank has become one of the most significant players in the funds markets thanks to three successfully managed mutual funds. The Bank provides different instruments to investors through Type B bonds, Type B liquid funds and Type A variable funds, designed for investors with different risk profiles.

In the management of deposits; we provide services to our customers through products such as classic deposit accounts, Interchangeable Currency Account (called ZAP account), Tomorrow's Deposit Account, Deposit, Term and Cumulative Gold Accounts, and the Gold Gift Certificate. In addition, we offer advantageous interest rates to our customers through additional products which supports our classic deposit accounts. In 2013, our total number of deposit customers grew by 40%, as a result of special pricings applied on small deposits within the scope of the studies for spreading the deposit to the base. Among gold banking products, the gold cheque application and the gold account products were developed in 2013. Legal applications and customer needs are pursued in the development of new investment products.

INTERNATIONAL BANKING

The International Banking Division is responsible for the regulation of relationships with international correspondent banks and the financing of foreign trade. Anadolubank's volume of foreign trade has been growing with each passing year thanks to a strong network of over one thousand correspondents, and expert staff consisting of the best in the sector. Through close and productive relations with correspondent banks, the Bank has procured access to all areas with high potential business in the international arena, and offers a fast, effective and top-quality service to its foreign trade customers.

In 2013, Anadolubank achieved a foreign trade volume exceeding $ 2.2 billion.

The International Banking Division strives to establish relations with correspondent banks based on the principle of mutual benefit and always approaches the decision-making process in a solution-oriented, broad and flexible manner. The Division also has strong and lasting relations with institutions such as US Exim, CCC, Hermes, SACE and ERG, which provide international export financing. Anadolubank meets the medium and long-term financing needs of its customers arising from international trade through the loans provided by these institutions.

The world is getting smaller:

Our banking services have no borders

RETAIL BANKING AND INSURANCE

Anadolubank has positioned all of its branches with the strategy of becoming a Financial Market in all product groups addressing the individual customer segment in line with the customers' needs.

The Bank creates different types of loan options in order to fund the consumption and investments of our individual customers, and provides investment products offering maturity, interest, and opportunity to move freely in the management of assets.

In addition, it provides all Insurance, PPS, Credit Card & POS products via different channels in line with customer needs.

In today's world of rapidly developing and updating technology, the banking sector is also in the process of rapid change, with new technologies and products. The Retail Banking Department undertakes a vital mission in the delivery of Anadolubank's products and services to large masses, and directing customers in non-branch transaction channels in such an environment.

As part of the strategic partnership carried out with Yapı Kredi Bank, Anadolubank continued to provide services to its customers through credit cards and POS devices in 2013.

In 2013, Anadolubank exhibited growth performance above the market average in terms of both credit card and POS turnover. When compared to the previous year, Anadolubank achieved a rise of 15% in credit card turnover and over 18% in POS turnover, thanks to its customer-oriented approach. The BEKO cash register POS application was commissioned as a result of the solution partnership with Arçelik, within the scope of the General Communiqué on the Law concerning the Obligation of Taxpayers of Value Added Tax to Use Payment Recording Devices.

Personal accident insurance is one of the firsts in the sector launched by Anadolubank for its Member Merchants. With this application, merchant owners are indemnified free of charge up to TL 20,000 depending on their turnover.

In accordance with the cross selling and productivity principle, potential and profitability have been identified by using Anadolubank' loans prowess, and some mutual studies have been conducted among relevant departments for more effective tapping of the potential of Businesscard. As a result of these studies, the Bank has become one of the fastest growing banks in the sector in terms of Businesscard numbers and turnover.

Financial Market:

Financial shopping has never been so efficient

"Equal Instalment Cash Advance" application, through the online branch, Call Centre and ATMs, is presented for the service of our credit card customers, in order to meet their cash requirements.

Anadolubank has been committed to providing customers in all segments with continuous, quality and secure services, through a customer satisfaction oriented approach, in Electronic Banking products and services. As of the end of 2013, the number of Anadolubank ATMs reached 119, while the number of POS devices reached 4,241 throughout the country.

49,021 customers received continuous online services in Internet banking for a total of 839,481 transactions. In addition, our Call Centre fielded 352,153 calls in order to provide continuous and uninterrupted service to our customers.

We provided great convenience to our customers by means of the online application process, which was renewed in 2013. Our individual customers, who have credit and/or debit cards, could obtain their user information and passwords instantly by applying through our web address, www.anadolubank.com.tr.

Live Support has been implemented through the Internet Branch for our disabled citizens. Our customers have started to avail of services through the Call Centre chat application.

In 2013, Anadolubank focused intensely on projects for developing the Anadolubank Insurance Platform (ASP), which has been established by the Bank in recent years, and enables the Bank to procure offers from all of the insurance companies in collaboration with the Bank, and to effect policies.

With these projects, it is aimed to ensure that our branches can respond healthily within the shortest possible time to the insurance product requirements of their customers in all segments on the one hand, and to reduce the operational workload and enhance efficiency in our branches on the other hand. One of the projects that have been developed within this structure enabled our customers to view their policies through the internet banking channel, and to follow up allocations and maturities.

In 2013, extensive coverage was given to system studies and development of new products in order to meet the requirements of our affiliated insurance companies and our customers in each segment, with fast and simple products and correct guarantees. In this context, it was ensured that products with short entry periods, such as the complementary products, HDI Sigorta ''Anadolubank SME First Fire workplace '' and "First Fire residence", were offered to our customers.

In addition, agreements were signed with the insurance companies, Türk Nippon Sigorta and ING Emeklilik, to expand the level of products and services provided to our customers in all segments.

Regarding Individual Retirement, our common service model and cooperation with Anadolu Hayat Emeklilik and ING Emeklilik will continue by offering appropriate Individual Retirement Products tailored to the needs of our customers.

In 2014, Anadolubank will continue to be one of the key building blocks in the sector, with its production volume, quality of service, and new insurance products in Retail Banking.

INVESTMENT BANKING

Anadolubank's Investment Banking Division provides services for depositors and companies that prefer to finance their growth projects through capital markets.

The following services are included in the main activities of the Division:

- Brokerage services in primary and secondary markets
- Micro and macro research and reporting,
- Corporate finance,
- Derivative products (Derivatives Exchange)
- Brokerage on stock / TurkDEX transactions through the WEBBORSAM platform,
- Intermediation in brokerage of parity and spot gold and silver transactions in the Leveraged Transactions Market through the Paritem platform

Anadolubank's ultimate investment banking goal is to offer high quality and fast data transfer, full compliance with codes of ethics and written rules, and customer-oriented service. The main feature differentiating the Bank from its competitors in this field is the customer-centric, fast, high quality and reliable service approach. The macro / micro-scale reports and customised studies prepared by the Department highlight the Bank's service quality and widen the gap to its competitors.

Anadolubank offers effective investment banking services spread throughout Turkey thanks to its strong marketing network. Brokerage services are carried out through a total of 27 bank branches by means of the direct / active marketing activities of the investment experts employed at Anadolu Investment agency. The cross-selling studies of the Bank in other departments also support these activities.

As of the end 2013, Anadolubank ranked 42nd with a market share of 0.54% among brokerage houses trading on the BIST. The Bank's average monthly trading volume on the BIST through Anadolu Yatırım (Anadolu Investment) throughout the year was TL 670 million. 2,805 of Anadolubank's total 12,551 customers registered on the BIST are active traders.

In addition to equity trading brokerage services as agencies, brokerage services for trading three of the Bank's investment funds and for Derivative Exchange (TurkDEX) transactions are also available at the branches.

As of the end 2013, Anadolubank ranks 33th with a market share of 0.67% among brokerage houses trading on the TurkDEX. Anadolubank's average monthly trading volume on TurkDEX throughout the year was TL 430 million. 167 of Anadolu's total 1,861 TurkDEX customers are active traders.

The choice of those who want to grow:

New ideas, creative products, fewer risks

Anadolubank's portfolio mainly consists of medium-sized customers. The Bank aims to enhance its market share for stocks and VIOP transactions to 1 %, by preserving the current structure of its portfolio and applying a balanced and sustainable growth strategy, in the coming period.

Breaking new ground in 2010, Anadolubank presented WEBBORSAM, which enables the execution of stock, VIOP and parity transactions on a single platform, for the service of customers (I think we can remove this). WEBBORSAM, with user-friendly features in a structure that integrates the latest technology, grants customers access from any environment with internet access, in addition to the existing practices of the overall market. Users of this product can access WEBBORSAM at www.webborsam.com, www.anadoluyatirim.com.tr and www.anadolubank.com.tr. As of 2013, the Bank rolled out the fast, practical and user-friendly mobile application of WEBBORSAM for customer use.

As a result of the developable infrastructure of this platform and the mobile application, the system allows modifications / updates in line with any kind of demand communicated by customers. It is possible for potential customers without active Bank accounts to access this platform by using WEBBORSAM trial accounts.

With WEBBORSAM, Anadolubank aims to expand the number of customers who conduct their stock / VIOP transactions by accessing the required market information through this platform, without the need for customer representatives.

Moreover, through this web-based product, investors can conduct transactions in the 26 most heavily-traded currency pairs in the world and spot transactions in gold, 24 hours a day, five days a week uninterruptedly from anywhere around the globe with internet access. Users of this product can conduct arbitrage transactions in the Paritem section of the Bank's website at www.anadolubank.com.tr, www.anadoluyatirim.com.tr and www.webborsam.com.tr, or at www.paritem.com.tr.

Anadolubank's goals determined for 2014 and beyond in the field of investment banking are:

- to enhance market share and the number of customers by providing more effective and higher quality services,

- to ensure that the investment banking products are used in all the products marketed by otherdepartments of Anadolubank in cross-selling purposes,

- to focus on Derivative Market (TurkDEX) products, which are appropriate financial instruments for the Bank's customers, and develop new projects to enhance trading,

- to broaden the market share of the Bank by engaging in brokerage for new BIST products,

- to continue to work with customers of a wide variety of sizes (large/ medium/ small) to push up average commission income while achieving market share targets,

- to strengthen the technology infrastructure with the support of the Information Technologies department,

- to proliferate the number of customers conducting online transactions by active promotion of the WEBBORSAM financial platform, and

- to plan new products for the "Paritem®" application to enable intermediation in brokerage of various investment instruments.

INFORMATION TECHNOLOGIES

The Division, providing software, hardware and communication services to the Bank and its subsidiaries, Anadolu Yatırım and Anadolubank N.V., is responsible for ensuring compliance and integrity in the field of information technology, research, suggestions, installations, 24/7 operations, maintenance, security, and development and renewal of the systems, which includes continuity, speed and ease of use.

The Bank has one of the most talented and productive IT divisions, which closely monitors all developments in the sector and implements them without delay.

One of Anadolubank's greatest advantages in differentiating in the sector is its flexibility in rapidly meeting the expectations and demands of the units, owing to the dynamism in the Information Technologies Department's organisational structure. In this way, the IT Division implemented a variety of new projects in 2013, thanks to its service-based approach, which enables the Bank to offer services in line with business objectives and strategies that will maximise the level of customer and employee satisfaction for the Bank, and is committed to providing the most innovative technologies.

The Information Technologies Division consists of eight main functional sub-departments:

- Systems Development,
- Software Development 1,
- Software Development 2,
- Software Development 3,
- Software Development 4,
- Central Systems,
- Distributed Systems and
- Project Office.

In addition to these sub-departments, the Quality and Process Management and Information Security and Risk Management units report directly to the Assistant General Manager of IT.

Projects and Applications in 2013

Working with an approach that centralises quality of services and customer satisfaction, the Information Technologies Department implemented approximately 4,500 modifications (no change from last year?) and projects for its customers and employees, in 2013.

Business continuity and redundancy studies, on which we focused intently in the previous year, were continued at the same scale, as well as infrastructure and systems investments. The infrastructure of the Disaster Recovery Centre, which was significantly improved in the previous period, was tested for the second time over the entire critical processes throughout the Bank, and 90% of overall processes.

The performances of existing infrastructure and applications have been upgraded within the scope of the continuous improvement and continuous development methodology. Performance improvements of up to 50% in beginning and end of day transactions give some insight into the extent of the improvement. More than 600 system components are centrally monitored online thanks to the system-monitoring platform, which was created as a result of long-term efforts. The platform enables the identification of the source of the problem, faster and more accurately, by producing predefined alarm signals when an emergency occurs on any of the server, storage or network devices. Again, as part of the infrastructure studies, the information technology infrastructures of 25 new branches have been completed and put into service.

A system that runs like clockwork:

The first condition of continuous service

Within the scope of the review of banking business processes in 2013; the studies concerning the improvement and optimisation of the applications used in our Bank were continued. EFT, Wire Transfer and Internal Transfer transactions were centralised, the operational workloads of the branches were reduced to ensure that they could spend more time on marketing activities. Similarly, account research activities requested by official institutions can now be performed from a single centre in such a way that the entire process will be carried out through the system. Blacklist checks can be conducted automatically, thanks to our new SWIFT applications. Money counting machines were integrated into the Main Banking Application in order to reduce operational risks.

Instant monitoring of depth and stage information on the Webborsam platform, which is used by Anadolu Yatırım, one of the Bank's subsidiaries, was enabled in order to raise transaction volume and customer satisfaction.

Automatic control of the blacklists is enabled with the help of the completed SWIFT integration in Anadolubank Nederland N.V., one of the Bank's subsidiaries.

The PotansiyeliM application, which is used for Commercial Banking activities, was developed with a range of features to enable ease of use for the monitoring of potential customers, such as company partners and employees, through Turkish Republic Identification Numbers (TRIN). The Existing Efficiency Card module was expanded so that it currently includes Credit Cards too. An improvement was obtained in employee performance evaluation, thanks to changes made in the Portfolio Manager Report Card application, implemented in the previous year.

Within the framework of compliance with legal regulations; the new EFT system and modules and the Electronic Clearing System modification have been commissioned in accordance with the decision of the Central Bank of the Republic of Turkey.

Anadolubank's website can be accessed more comfortably on any kind of device thanks to its renovated "responsive" structure, and modern and user-friendly interface. As smart phones and tablets have become ubiquitous in all our lives, projects regarding the availability of our existing applications and products on mobile platforms have been intensified. Within this context, the Bank has commissioned the Paritem Android application, and the Webborsam IOS and Android applications, which can be used on smart phones and tablets.

Instalment cash advance product has been launched for use by our credit card customers. The credit cards allocation process has been accelerated thanks to the automatic intelligence application.

Online allocations for Turksat, Digiturk, and ASKİ have been integrated to the current corporate allocations module. In addition, our existing systems have been revised due to changes made in the infrastructures of the TEDAŞ, Yeşilırmak EDAŞ, Vodafone, SGK and KentGAZ institutions.

OPERATIONS

The Central Operations Department incorporates the following functions:

- Foreign Trade,
- Loans,
- Branch Operations,
- Organisation and Business Development, and
- Customer Satisfaction.

Due to processes and operations which are designed and managed centrally, we offer the highest quality service in the shortest possible time, and create a reliable working environment based on customer satisfaction.

At Anadolubank, we offer the following services centrally to our customers:

- All foreign trade transactions,
- Domestic and foreign guarantees,
- Entering commercial loan collateral surety and documents, lending and repayments,
- Entering personal loan collateral surety and documents and lending,
- Entering agricultural loan collateral surety and defining limits,
- Domestic and foreign cheque and bond transactions,
- Cash collections and distribution by means of Cash reserve management.

In addition to these activities, the Operations Division communicates all necessary information to its branches and Head Office Units by following national and international legislations, presents its opinions on legislations, and directs the system development studies conducted with Information Technologies in order to adapt any amendments in the legislations to the Banking system.

Our goal is to design all processes in accordance with the principles of safety and efficiency and to ensure the continuity as well as the enhancement of customer satisfaction by consistently improving the current processes. We maintained our efforts in 2013, using all the opportunities offered by technology, with our customer-centric approach, in order to eliminate the manual steps within the processes, to conduct operations in a fully integrated and automatic manner, and to further reduce operational risks. In 2014, we intend to persist with these efforts as well.

Our operational structure runs like clockwork, our business processes stand out for their efficiency çekiyor

The Right Report, The Right Strategy, The Right Result

FINANCIAL AFFAIRS

The Financial Affairs Division consists of the Budget and Financial Control Department and the Financial Operations Department.

Budget and Financial Control Department

The Budget and Financial Control Department is responsible for supporting the senior management in the decision-making process and determination of the Bank's strategies with the financial reports prepared by the department. All reports produced within the Bank are collected and analysed by this department to be submitted to the senior management of the Bank, particularly the Board of Directors and the Assets and Liabilities Committee.

The department:

- Analyses the balance sheet and income statement on a daily basis, conducts a detailed analysis of the Bank's interest and non-interest income and expenses, reports the results, and makes projections for the future,
- Prepares the Bank and branch budgets and reports the results compared with the budgeted figures,
- Prepares efficiency reports, monitors customer and branch contributions to the Bank through these reports, and assists the marketing staff in the decision-making processes in line with the information in the reports, and
- Prepares reports on a daily, weekly, monthly, quarterly and annual basis for the Banking Regulation and Supervision Agency (BRSA), the Central Bank of Turkey (CBT), the Capital Markets Board (CMB), the Turkish Statistics Institute (TSI) and the Banks' Association of Turkey.

In 2013, the Budget and Financial Control Department conducted studies on regular and systematic evaluation of branch performances and improvement of the accounting infrastructure, which is the foundation of the MIS infrastructure. The Department aims to continue these studies in 2014.

Financial Operations Department

The Department is responsible for carrying out the Bank's accounting and operating the transactions conducted by the Treasury Department.

The department;

- records and keeps track of bonds, treasury bills, and placement and borrowing transactions with banks,
- establishes the infrastructure required by operational applications and taxation operations for all financial instruments offered by the Bank,
- accounts and makes payments for all product and service purchases of the Bank, and
- fulfils every kind of tax liability of the Bank.

In 2014, the Financial Operations Department plans to systemise and complete the overhaul of the accounting and process infrastructure of the derivative instruments and the e-book and tax payment processes that were developed substantially in 2013.

HUMAN RESOURCES

Producing innovative and creative solutions to the continuously evolving requirements of the market and our customers, Anadolubank enjoys the interminable and utmost support from its highly qualified human resources. The major objective of the Human Resources Division is to maintain and improve its professional staff, consisting of well-equipped, dynamic, creative and visionary bankers.

Knowing that the most valuable asset of an organisation is its human resources, maximum care is shown for the recruitment process in Anadolubank. The senior management team is personally involved in this process, applying scientifically designed interview and selection methods. The Bank continues its tradition of recruiting employees for vacancies in the organisation by evaluating existing human resources and promoting staff within the Bank itself. This philosophy strengthens the sense of corporate loyalty and belonging by boosting employee motivation. Anadolubank supports its employees on every step of their career development process. The primary objective of career planning is to enrich professional knowhow as much as possible, maintain motivation at the highest of levels, and expand their vision while they are fulfilling the terms of their respective jobs.

As of the end of 2013, Anadolubank's total number of employees reached 2,111. Of this number, 707 employees work at the Head Office and the remaining 1,404 employees operate in branches.

In full awareness of the fact that the quality of services offered to the customer depends critically on the qualifications of its employees, Anadolubank is also aware that education is a prerequisite, not only for personal but also for organisational development. For this reason, employee participation in internal and external training programmes is actively encouraged. The training programmes are designed by expert trainers for experienced and inexperienced employees who start to work at the Bank, considering the qualifications required by their positions. The programmes are run at 7 different faculties in the Anadolubank Development Academy (AGA), with versatile and rich content to ensure the development of the technical, personal and managerial competencies of all employees. Through these programs, employees are informed and updated in the subjects required by their positions, as well as being developed for further steps in their career maps.

In 2013, a total of 137,593 hours of training, including e-trainings, was provided to a total of 14,991 participants. Average training time per employee amounted to 66.37 hours.

The Human Resources Division consists of six sub-departments: Legal Proceedings Monitoring, Human Resources, Training, Communications and Administrative Affairs, Protection and Security, and Purchasing.

Legal Proceedings Monitoring Department

The Legal Proceedings Monitoring Department operates under the Assistant General Manager of the Human Resources Division. The main task of the department is to ensure the necessary coordination and collaboration between the Legal Counsel, the branches and the departments of the Head Office, and the most effective return on risk of non-performing loans until the conclusion of the legal proceedings process for said non-performing loans.

The Legal Proceedings Monitoring Department organised planning, research and evaluation meetings at regular intervals by ensuring the participation of the Branch Legal Proceedings Investigation teams and the Legal Counsel in 2013.

Personnel Statistics

Number of Employees	2013	2012	2011
Head Office	707	697	639
Branches	1,404	1,327	1,272
Total	2,111	2,024	1,911
Average Number of Employees per Branch	18.3	22.2	21.7
Male	1,159	1,085	991
Female	952	939	920

Education Level of Employees			
Ph.D. and Masters	108	93	99
Bachelor's Degree	1,611	1,540	1,476

The architects of our success:

Whatever it is that makes us, our people are behind it

Our mutual service approach:

Financial diversity for efficient solutions

SUBSIDIARIES

Anadolubank Nederland N.V.

Incorporated as a fully owned Anadolubank subsidiary, Anadolubank N.V. began operations at the beginning of 2008, after obtaining its banking license from the Central Bank of the Netherlands in 2007. Anadolubank N.V. is engaged in retail banking, funding of small and medium sized enterprises, and financing of foreign trade in the Eurozone, mainly in the Netherlands, and in Turkey.

Building up a wide customer base in a short space of time with the support of its robust capital, experienced management team and parent bank, Anadolubank N.V. expanded its customer numbers to 13,500 as of the end of 2013. Despite the rapid growth in its assets, the Bank succeeded in maintaining its asset quality at a high level supported by its prudent loan policies. The Bank's total assets, which amounted € 461 million as of the end of 2012, grew by 14% and reached € 523 million as of the end of 2013.

Anadolubank N.V. raised its paid-in capital by € 15 million up to € 70 million during 2013. Following a determined and consistent strategy without compromising its risk-sensitive approach, Anadolubank N.V. retains its position among the banks with the strongest capital structures, with a capital adequacy ratio exceeding 19% in 2013.

Anadolu Factoring (Anadolu Faktoring Hizmetleri A.Ş.)

Commencing operations on March 20, 2007, and with 99.9% of its shares held by Anadolubank, Anadolu Factoring is the number one representative of the factoring sector, which has a very short history in Turkey, according to the order of permits issued by the Banking Regulation and Supervision Agency. Anadolu Factoring provides support with competitive, flexible and reliable financing options to enterprises in all regions with a strong and dynamic commercial life, particularly in and around Istanbul.

Maintaining its successful performance in 2013, as exhibited from day one, Anadolu Factoring augmented its active customer numbers by 31%, to 800 as of the end of the year. The company achieved a Return on Assets of 4.8%, and a Return on Equity of 11.3%, whereas its net factoring receivables soared by 35% and reached TL 157 million as of the end of 2013.

Anadolu Factoring's net profit for the year 2013 stands at TL 6.7 million, and its equity reached TL 61.8 million as of the end of the year.

Anadolu Yatırım

Established on September 21, 1998, Anadolu Yatırım signed the agency contract with Anadolubank on April 28, 1999. The company is engaged in securities trading, leveraged trading transactions, IPO, portfolio management, repo / reverse repo, and investment consultancy services.

Anadolu Yatırım's capital stands at TL 5.4 million, and its total assets and net profit for the year have reached TL 59.7 million and TL 318.5 million, respectively, as of the end of the year.

In 2013, Anadolu Yatırım's average monthly trading volume on the BIST was TL 670 million with a market share of 0.54%. With this market share, the company ranks 42nd among the brokerage houses trading on the BIST.

In 2014, Anadolu Yatırım aims to expand its customer numbers along with its trading volume, in order to enhance its market share in the stock market to 1%.

Paritem

The Forex transactions platform, "Paritem" enables investors to make transactions on silver and gold with 26 currency pairs 5 days a week, 24 hours a day, on the web, iPhone and iPad.

Anadolubank International Banking Unit Ltd.

Founded on April 17, 2003, Anadolu Offshore's trade name was changed to Anadolubank International Banking Unit Ltd as required by the TRNC International Banking Units Law. With 99.4% of its shares held by Anadolubank, the Bank's management elected for the "voluntary liquidation" of the Bank, at the meeting of the General Assembly dated July 31, 2013, because of failure to provide the expected economic benefits. The liquidation process is ongoing.

Those who know us know this intimately:

We wear our hearts on our sleeves

MANAGEMENT AND CORPORATE GOVERNANCE APPLICATIONS

Corporate Governance Principles

Putting up intensive efforts in order to continue its activities with a more professional management approach and more effectively, Anadolubank aims to fully comply with the Corporate Governance Principles stated in the relevant article of the Banking Law. Closely following BRSA regulations as well as its own corporate management principles, Anadolubank believes that a corporate governance practice complying with these principles, will boost the profitability of the Bank in line with its sustainable growth target, and strengthen its reputable position in the sector.

Board of Directors and Auditors

Board of Directors

Members of the Audit Committee and other committees attended all meetings held during the year unless there were valid excuses.

Board of Directors;

Mehmet Başaran, Chairman and Executive Member
Pulat Akçin, Vice Chairman
Fikriye Filiz Haseski, Member of the Board of Directors
Erol Altıntuğ, Member of the Board of Directors
Engin Türker, Member of the Board of Directors
Yusuf Gezgör, Member of the Board of Directors
Gökhan Günay, Member of the Board of Directors and General Manager
İzzet Şahin, Member of the Board of Directors and Audit Committee
Cengiz Doğru, Member of the Board of Directors and Audit Committee

Mehmet Başaran
Chairman and Executive Member
Mr Başaran graduated from Istanbul Academy of Economics and Commercial Sciences. He started his professional career in HABAŞ Sınai ve Tıbbi Gazlar A.Ş. in 1972. Mr Başaran currently serves as the Chairman and Executive Member of the Boards of Directors of HABAŞ Group companies, Başaran Holding and Anadolubank.

Pulat Akçin
Vice Chairman
Mr Açkın completed the MBA programme at the University of Technology after graduating from the Faculty of Economics at Istanbul University. He set out on his professional career at International Industry and Commerce Bank and worked as a senior manager for several domestic and international banks. After serving as the General Manager in Tekstilbank, Mr Akçin joined Anadolubank in 2002. He currently serves as the Vice Chairman of the Board of Directors of Anadolubank.

Fikriye Filiz Haseski
Member of the Board of Directors
Ms Haseski graduated from the Faculty of Economics and Administrative Sciences at Boğaziçi University. She served as Export Sales Manager and Assistant General Manager of Foreign Trade in HABAŞ. Ms Haseski has been serving as a Member of the Board of Directors of Anadolubank since 1997.

Erol Altıntuğ
Member of the Board of Directors
Mr Altıntuğ graduated from the Department of English Language and Literature, Faculty of Science and Letters at Boğaziçi University. After serving as Research and Planning Manager in HABAŞ, he was appointed as Assistant General Manager of Commercial Affairs at the same company. Mr Altıntuğ has been serving as a Member of the Board of Directors of Anadolubank since 1997.

Yusuf Gezgör
Member of the Board of Directors
Mr Gezgör completed his education in the Faculty of Economics at Istanbul University. He began his professional career in Osmanlı Bank. After having served for that bank for 23 years, he was appointed as Assistant General Manager of Commercial Banking and Loans in TEB. Joining Anadolubank in 2001, Mr Gezgör currently serves as the Member of the Board of Directors responsible for Loans and Marketing.

Engin Türker
Member of the Board of Directors
Mr Türker is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He has served in various positions in Mertaş and HABAŞ. Besides having served as the General Manager of HABAŞ Industrial Facilities since 1984, Mr Türker has been serving as a Member of the Board of Directors of Anadolubank since 1997.

İzzet Şahin
Mr Şahin graduated from the Mathematics Department at Istanbul Atatürk Educational Institute, and from the Faculty of Economics and Administrative Sciences at Gazi University. He started his professional career at the Internal Audit Board of Akbank in 1986. Afterwards, he served as Auditor, Vice President of the Internal Audit Board, Regional Manager and Department Head, respectively. After 28 years of service at this company, Mr Şahin joined Anadolubank on September 2, 2013, and he has been serving as a Member of the Board of Directors since then.

Dr. Cengiz Doğru
Member of the Board of Directors and Audit Committee
After graduating from the Department of Public Finance at Hacettepe University, Mr Doğru completed his Masters education (MBA) in the Department of Business Administration at Boğaziçi University. He started his professional career on the Board of Certified Bank Auditors of the Undersecretariat of Treasury, in 1988. He served in various positions as Auditor, Chief Auditor and Vice Chairman of that Board. He began working as the Assistant General Manager of Kentbank in 1999. Having joined Anadolubank as Assistant General Manager in 2002, Mr Doğru has been serving as a Member of the Board of Directors of Anadolubank since 2008.

Auditors
Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., KPMG

Principled banking:

A transparent structure, a reputable position

Senior Management

Gökhan Günay
Member of the Board of Directors and General Manager
Mr Günay graduated from the Faculty of Business Administration at Marmara University and received his MBA from Tennessee State University. He started his professional career at Türkiye Sınai Kalkınma Bankası and later served as Head of the Securities Department at Pamukbank, and as the Assistant General Manager of Treasury in Sümerbank and Bayındırbank. Having joined Anadolubank in 2002, Mr Günay currently serves as the General Manager.

Recep Atakan
Assistant General Manager
Treasury, Advertising and Public Relations
Mr Atakan graduated from the Department of Management Engineering at Istanbul Technical University. He started his banking career in Yapı Kredi Bank and served at various levels such as Director and Department Head in Yapı Kredi Bank and Sümerbank. He then served as the General Manager of Bayındır Bank from 2001 to 2003. He served as the General Manager of Anadolu Yatırım between 2003 and 2007. Having been responsible for Corporate and Agricultural Banking since 2007, Mr Atakan currently serves as the Deputy General Manager responsible for Treasury, Advertising and Public Relations.

Merih Yurtkuran
Assistant General Manager
International Banking
Ms Yurtkuran received her Master's degree in Chemical Engineering at the University of Michigan after graduating from Chemical Engineering at Yıldız Technical University. Following her career in the chemistry sector in various positions, she started her banking career in Garanti Bank in 1978. She then served as a senior manager in various public and private sector banks. Joining Anadolubank as a consultant in 1999, Ms Yurtkuran has been serving as the Assistant General Manager responsible for International Banking since 2000.

Taner Ayhan
Assistant General Manager
Retail Banking and Insurance
Mr Ayhan received his Bachelor's degree and PhD in Computer Engineering at Middle East Technical University, and his MBA from Bilgi University. He served as a consultant at the London and Istanbul offices of Andersen Consulting (Accenture) between 1989 and 1993. Then he served as the Manager responsible for Alternative Distribution Channels (ADC) and Individual Banking in Pamukbank, and the Chairman of the Board of Directors of the Interbank Card Centre (ICC) between 1993 and 2000. He served as the Assistant General Manager responsible for ADC and Consumer Finance in Fortis Bank between 2000 and 2007. He later went on to serve as the Country Manager of Citibank between 2007 and 2008. Having joined Anadolubank in 2009, Mr Ayhan currently serves as the Assistant General Manager responsible for Retail Banking and Insurance.

Tunç Bergsan
Assistant General Manager
Information Technologies
Mr Bergsan graduated from the Department of Electronics and Communication Engineering at Istanbul Technical University. He commenced his professional career as a Software Engineer at Netbank in 1989. From 1993, Mr Bergsan served in various positions at Mardata Information Systems, later to be called Baysis and YAZ Information Systems, respectively. There he was involved in projects primarily related to banking software development, including internet banking software, credit cards and ATM integration, database, system and network management, and banking information technologies outsourcing production. Following his service at YAZ Information Systems as General Manager between 2001 and 2007, Mr Bergsan joined Anadolubank. He currently serves as the Assistant General Manager responsible for Information Technologies.

Kürşad Orhun
Assistant General Manager
Operations
Mr Orhun received his Bachelor's degree from the Faculty of Economic and Administrative Sciences, Department of Economics at the Middle East Technical University, and his MBA from Sabancı University. He set out on his professional career at Akbank's Audit Board in 1993 and then he served as External Operations Manager and Head of the Customer Services Department. Between 2008 and 2012, he served as Head of the Central Operations Department at Eurobank Tekfen. Mr Orhun undertook centralisation, and system and process improvement activities at the banks he worked for. Having joined Anadolubank in 2012, Mr Orhun currently serves as the Assistant General Manager responsible for Operations.

Hüseyin Çelik
Assistant General Manager
Financial Affairs
Mr Çelik graduated from the Faculty of Economic and Administrative Sciences, Department of Public Finance at Uludağ University. He began his professional career at İktisat Bank. After serving as Assistant General Manager and as a member of the Board of Directors at various banks and institutions, Mr Çelik joined Anadolubank in 2008. He currently serves as the Assistant General Manager responsible for Financial Affairs.

İsmet Demir
Assistant General Manager
Human Resources
Mr Demir completed his Masters education in the Department of Business Administration at Maltepe University after graduating from the Department of Banking and Insurance at Gazi University. He started his professional career at Sümerbank and later served as an Inspector and Assistant Personnel Manager at Akbank. Mr Demir joined Anadolubank in 1997 and he currently serves as the Assistant General Manager responsible for Human Resources.

Ali Tunç Doröz
Assistant General Manager
Loans
Mr Doröz graduated from Istanbul University, Faculty of Economics, Department of Business Administration and Public Finance. Mr Doröz commenced his professional career as the Assistant Auditor at Osmanlı Bank in 1982. He served as Manager responsible for the Commercial Loans Allocation Unit at the Head Office and the branches. Having joined Anadolubank in December 1998 as Loans Allocations Manager, Mr Doröz currently serves as the Assistant General Manager responsible for Loans.

Audit Committee

The Audit Committee is charged with and responsible for overseeing, on behalf of the Board of Directors, the effectiveness and adequacy of the Bank's internal systems, the functioning of these systems as well as the accounting and reporting systems in compliance with the Banking Law and related regulations, and the integrity of the information generated by such systems. The Committee is also responsible for performing the requisite preliminary assessments to assist the Board of Directors' election of independent audit companies as well as credit rating agencies, appraisal firms and support service providers, regularly monitoring the activities of these organisations.

The committee is responsible for ensuring that the internal audit activities of the subsidiaries that are subject to consolidation are performed on a consolidated basis, in accordance with the regulations that became effective pursuant to the Law, and fulfilling other tasks and responsibilities stated in Article 7 of the "Regulation on Internal Systems of Banks" published in the Official Gazette No. 26333 dated 01.11.2006

The Audit Committee receives regular reports from all units created under the legal compliance, internal control, and internal audit and risk management systems as well as from independent auditors regarding the execution of their respective duties. It is incumbent on the Committee to notify the Board of Directors of any issues that may undermine the sustainability and credibility of the Bank's business and/or lead to breach of legislation and internal regulations of the Bank, and to oversee, evaluate and ensure the effectiveness and adequacy of the Bank's internal systems within the context of the Banking Law, the Regulation on Internal Systems of Banks, and the relevant regulations.

The Audit Committee is tasked with reporting the activities that the Committee has performed during the period, not to exceed six months, and the results of such activities, to the Board of Directors. The Audit Committee's opinions on the measures that need to be taken and practices that need to be initiated within the Bank, as well as other matters significant for the ability to continue the Bank's operations in safety are included in these reports.

The Audit Committee is authorised to receive documents and information from all units of the Bank and the contracted outsourcing institutions and independent audit firms and to procure consulting services from outside experts, as subject to the approval of the board of directors and financing by the bank. The Audit Committee's duties, powers and responsibilities, as well as the working principles and procedures, are regulated by the Board of Directors.

Members of the Audit Committee

Cemal Düzyol
Member of the Board of Directors – Member of the Audit Committee

Cengiz Doğru
Member of the Board of Directors – Member of the Audit Committee

Remuneration Committee

A Remuneration Committee was established pursuant to the "Regulation pertaining to the Amendments to the Regulation on the Banks' Corporate Governance and Principles", published in the Official Gazette dated 01.01.2012. The Remuneration Committee is responsible for monitoring and auditing whether or not the remuneration activities of the Bank are executed in compliance with the remuneration policies stated in the relevant parts of this regulation.

Members of the Remuneration Committee

Erol Altıntuğ
Member of the Board of Directors

Cengiz Doğru
Member of the Board of Directors - Member of the Audit Committee

The CVs of the members of the Committee are located in the "Board of Directors, Auditors and Audit Committee" section.

Managers of Internal Systems Units

Tuba Burçe Önal Yaman
Chairman of the Board of Inspection
Ms Önal Yaman started her professional career in the Anadolubank Internal Control Centre in 2001, after graduating from the Department of Labour Economics and Industrial Relations, Faculty of Economic and Administrative Sciences at Dokuz Eylül University. She served as an Inspector in the Board of Inspection, as a Director in the Budget and Financial Control Department and as Head of the Internal Control Centre, respectively. Ms Önal Yaman has been serving as the Chairman of the Board of Inspection since 2010.

Gülsüm Akay
Chairman of the Internal Control Centre
Ms Akay received her Master's degree from the Department of European Union Economics, European Union Institute at Marmara University after graduating from the Department of Politics and International Relations, Faculty of Economics and Administrative Sciences at Marmara University. She started to work on the Board of Inspection in 2003. Serving as an Inspector and an Assistant Manager respectively in the Internal Control Centre, Ms Akay has been serving as Chairman of the Internal Control Centre since April 2010.

Hakan Eker
Chairman of the Risk Management Department
Mr Eker commenced his professional career at Yapı Kredi Bank after graduating from the Department of Economy, Faculty of Economics and Administrative Sciences at Uludağ University. He then served as the Assistant Manager of the Risk Management Department of Bank Asya. Having joined Anadolubank in 2007, Mr Eker currently serves as the Chairman of the Risk Management Department.

Fatma Kaya
Head of Legal Compliance Department / MASAK: (Financial Crimes Investigation Board) Compliance Officer
After graduating from the Department of Public Administration, Faculty of Economics and Administrative Sciences at Marmara University, Ms Kaya worked in various positions at Vakıfbank, Esbank, Demirbank and HSBC, respectively. Before joining Anadolubank in 2006, she served as the Manager of Legislations at HSBC. Ms Kaya has been serving as the Head of the Legal Compliance Department at Anadolubank since then.

Corporate Governance Committee

The Committee is responsible for defining the corporate governance principles of the Bank on behalf of the Board of Directors, monitoring the compliance in the Bank's activities, making improvements in this field, and offering suggestions to the Board of Directors pursuant to the provisions of the Regulation on the Bank's Corporate Governance Principles, published in the Official Gazette numbered 20333, and dated November 1, 2006.

Members of the Corporate Governance Committee

İzzet Şahin
Member of the Board of Directors – Member of the Audit Committee

Cengiz Doğru
Member of the Board of Directors – Member of the Audit Committee

Tuba Burçe Önal Yaman
Chairman of the Board of Inspection

The CVs of the members of the Committee are located in the "Board of Directors, Auditors and Audit Committee" section.

Assets and Liabilities Committee

The Committee is responsible for setting the policies regarding the management of the Bank's assets and liabilities and the movement of funds within that scope, taking decisions regarding the management of the Bank's Balance Sheet, and monitoring the implementations of the related units in accordance with these decisions. The committee plans, manages and controls the flow, level, composition, cost and income of the Bank's funds.

Members of the Assets and Liabilities Committee
Chairman of the Board of Directors
Vice Chairman
General Manager
Member of the Board of Directors responsible for Loans
Assistant General Manager of Commercial Banking
Assistant General Manager of Business Banking
Mali İşler Genel Müdür Yardımcısı
Assistant General Manager of Financial Affairs
Assistant General Manager of Treasury

THE AFFILIATE REPORT

Article 199 of the Turkish Commercial Code stipulates that "the Board of the Directors of the subsidiary will prepare a report annually with regard the to relationship of the company with the parent company and other subsidiaries within the first quarter of the year. The report shall also explain the legal transactions made with the parent company or a subsidiary of the parent company, or made in favour of the parent company or one of its subsidiaries upon the direction of the parent company, and the measures to prevent the losses of the parent company or the subsidiaries, which the parent company adopted or refrained from providing. "

Within the scope of the above explanations, the "Affiliation Report" aims to evaluate the legal transactions of the subsidiary made with the parent company or a subsidiary of the parent company, to analyse the losses or benefits resulting from being a subsidiary of the Group of companies, and to check whether compensation was made where some losses had been incurred.

On the other hand, the Turkish Commercial Code's Regulation on Determination of the Minimum Content of the Annual Report of the Companies obliges the companies to include all items of information subject to the affiliation report in their Annual Report, and the Affiliation Report of our company is presented below.

The Bank, as a member of the HABAŞ Group of Companies, naturally has commercial relations with the aforementioned companies, and the said relations and the pricing made in this context are formed within the framework of the market requirements and within the intervals applied to the unrelated companies. In this sense, there are no transactions for the benefit or loss of the parent company or its subsidiaries, made upon the direction of the Group of companies.

In 2013, cash and non-cash loans were disbursed, and agency and other banking services were provided to the other related parties included in the aforementioned Group of companies and its risk group. Income of TL 1,473,000 was earned from all these transactions. These revenues are in line with the market prices which are also applicable to the unrelated parties.

Likewise, the total amount of interest paid for the deposits of the Group companies and the related parties included in the risk group amounted to TL 1,585,000. The interest rates which constitute the basis of the interests were all determined within the equivalent price ranges in accordance with the banking and other relevant legislations, by using the comparability method. In other words, no discrimination was applied between the Group companies and companies that are not members of the Group in the determination of the interest rates.

In conclusion, the Bank is a member of the HABAŞ Group of companies and maintains commercial relations with the subsidiaries of the aforementioned Group. On the other hand, these relations are formed within the framework of the market requirements and conditions, and no favourable or unfavourable pricing is applied to similar products independent from the unrelated parties. As a natural consequence, there is no loss regarding transactions in favour of the parent company or its subsidiaries, with the parent company and its subsidiaries upon the direction of the parent company, and therefore there is no loss or compensation for a loss due to any benefit acquired by the parent company.

As stated in the earlier sections of the report, it is evaluated that; a counter action was taken in accordance with the known terms and conditions for each and every legal transaction. In the event that a legal transaction is made, or a measure is adopted, or that measure is abstained from, the adopted or abstained measure caused no loss to the company. The transactions of Anadolubank with the related parties are determined in line with the "arm's length principle" regarding the transactions made, the risks undertaken and the assets owned by the Bank.

ANADOLUBANK A.Ş. Board of Directors

Mehmet Rüştü Başaran Chairman	Pulat Akçin Vice Chairman	Engin Türker Member
Erol Altıntuğ Member	Fikriye Filiz Haseski Member	Yusuf Gezgör Member
İzzet Şahin Member	Cengiz Doğru Member	B.Gökhan Günay Member ve General Manager

EVALUATION OF RISK MANAGEMENT

Risk Management System

Anadolubank aims to adopt a deep-rooted and well-established risk culture throughout its corporate structure. To this end, the Bank strives to infuse in its employees a shared risk understanding and to organize all of its systems accordingly.

In accordance with the provisions of the Banking Regulation and Supervision Agency's Communiqué on Internal Systems of Banks published in the Official Gazette on November 1, 2006 no. 26333, a new risk management structure was established in the Bank.

The activities within the context of risk management are carried out with the participation and the contribution of the units whose activities are related to the types of risks.

Risk management activities have aimed to establish a prudent risk management concept throughout the Bank and to ensure full compliance with the Basel criteria, which reflect the best practices in risk management. In line with this aim, the Risk Management Department regularly monitors the following risk types: market, liquidity, loan, operational, structural and interest rate risks.

Internal Audit

Internal audit activities are performed by the Internal Audit Board, which reports directly to the Board of Directors. The Internal Audit Board is responsible for ensuring that the Bank's operations are carried out in full compliance both with the legislations and the Bank's strategies, policies, principles and objectives. The Board also oversees the adequacy and effectiveness of the Internal Control and Risk Management systems, and audits the operations of the Bank and its subsidiaries in terms of the risks they pose.

In 2013, the Internal Audit Board conducted 79,488 hours of on-site audits at the branches, Head Office units and subsidiaries of the Bank. Aiming to establish a proactive audit structure at the Bank, the Internal Audit Board conducts its activities according to the results of risk-based evaluations.

Internal Control

The monitoring of the internal control activities is conducted by the Internal Control Centre (ICC), which reports directly to the Board of Directors.

Anadolubank aims to establish an efficient internal control system, to perform the internal control activities precisely, and to incorporate a strong internal control culture throughout the Bank's Head Office units, branches and subsidiaries. In line with this aim, the internal control centre conducts studies on the design of control activities and necessary control points of business processes, and the monitoring of whether or not the internal control activities are performed as specified.

The internal control activities at the branches, Head office units and subsidiaries are carried out via Self-evaluation Statements of the operational units in addition to site controls of the internal control centre. Certain control points are determined through Self-evaluation Statements, which include the statements of operational units related to internal control of the activities. The efficiency of the internal control system is strengthened with secondary controls performed on these points.

A risk-based control mechanism was established for the internal control activities of the Bank and its subsidiaries. Transactions bearing high risk are investigated after being identified by the ACL (Audit Command Language) audit programme. A continuous monitoring process has been established through the controls performed in daily, weekly, monthly and quarterly periods for all critical operations carried out by branches, Head office units and subsidiaries.

The Internal Control Centre also expresses opinions on new products and application modifications. The ICC conducts studies to develop procedures and workflows related to business processes, to update the current internal legislation in parallel with application modifications, and to make relevant announcements throughout the Bank.

The Internal Control Department reports any identified control deficiencies to the Audit Committee and the relevant senior management. Thus, the department ensures that the relevant personnel are advised in order to eliminate said control deficiencies. ICC activities are reported on a quarterly and annual basis to the Audit Committee.

A continuous training programme is applied for ICC personnel to improve their professional knowledge, skills and talents. In addition, the job descriptions and positions of the employees are amended so that they are able to perform their duties objectively, without undue influence from the executive units.

Legal Compliance Department

The Legal Compliance Department ensures that all banking activities and transactions performed at the Head office and branches of Anadolubank are in compliance with national and international banking laws, rules and trends, as well as with the moral and ethical norms required by the banking profession, and thus manages the reputation risk of the Bank.

Reporting to the Audit Committee, the tasks and responsibilities of the Legal Compliance Department are as follows:

To monitor the regulations related to the Banking Law and banking practices, and to inform the Bank personnel with regard to these regulations,

To create the necessary systems and to adopt the necessary measures in line with national and international regulations in order to prevent money laundering and the funding of terrorism,

To review, evaluate and communicate the Bank's reports for suspicious transactions to MASAK (Financial Crimes Investigation Board) through the compliance officer.

To ensure the compliance of new products and transactions and planned activities with legal regulations, and to prepare the annual compliance plan in order to ensure and monitor said legal compliance,

The Legal Compliance Department also monitors and coordinates the efforts of the Bank's subsidiaries to comply with the relevant national and international legislations.

Risk Management

Anadolubank Risk Management Department reports directly to the Board of Directors. The Risk Management Department is responsible for defining, classifying, measuring, monitoring, and analysing the risks borne by the Bank, and reporting them to the relevant parties, within the framework of the relevant legislations, and the rules set by risk management principles approved by the Bank's Board of Directors.

Information Regarding Risk Management Policies by Type of Risk

The Bank uses best international practices, Basel practices and the recommendations, resolutions and regulations of the Banking Regulation and Supervision Agency (BRSA) as points of reference in the studies regarding risk management.

Market Risk

The Bank's Board of Directors ensures that the Risk Management Department and the senior management have implemented the necessary steps for measuring, controlling and managing the market risks that the Bank faces and/or will be exposed to.

The amount of the Bank's capital exposed market risk is calculated according to the standard method determined by the BRSA. Since 2007, the "Value at Risk" (VAR) estimations have been derived, and then reported to the Bank's senior management and to the related units on a daily basis.

The Value at Risk (VAR), calculated by using an internal model to forecast the potential loss under possible crisis conditions, is supported by scenario analysis and stress test results and is then reported to the senior management and the Board of Directors.

The Board of Directors sets market risk limits and periodically updates these limits in light of market conditions and the Bank's strategies. The total transaction and "stop-loss" limits are determined on a product basis with regard to the Bank's daily transactions. The Board of Directors allocates transaction limits for the Bank's futures transactions and other related contract positions, and all transactions are performed within these limits. These limits are monitored and reported on a daily basis.

Interest Rate Risk

The interest rate risk is managed by the Bank's Assets & Liabilities Committee. Avoiding the effects of interest rate fluctuations is the key priority of the Bank's management.

The sensitivity of assets, liabilities and off-balance sheet items to interest rates is calculated to determine the interest rate risk. The Bank's management monitors the prevailing market interest rates on a daily basis and has the capacity to adjust the Bank's deposit/loan interest rates as appropriate. Interest income simulations are performed based on the forecasts of the macroeconomic indicators in the Bank's budget.

The negative impact of market interest rate fluctuations on the financial positions and cash flow are minimised by a variety of measures. The Bank's Assets & Liabilities Committee manages the maturity mismatch and adopts the principle of working with a positive balance sheet margin as its pricing policy when establishing the short, medium and long-term pricing strategies. The decisions made by the Assets & Liabilities Committee are implemented by the related units of the Bank.

Liquidity Risk

Anadolubank has always strived to be among the most liquid banks in the sector. The Bank's Board of Directors regularly sets and monitors the standard for liquidity rates in order to attain a high level of liquidity.

The Bank's management has set certain limits regarding liquidity to ensure the presence of sufficient liquidity. The Bank's current liquidity position, the products through which liquidity is provided, its funding sources and asset structure, as well as the market conditions, are all monitored in light of these limits. The cash flow analyses are performed based on maturity and currency breakdowns, maturity mismatches are monitored, and concentrations in funding sources are analysed.

Credit Risk

One of the most central characteristics of Anadolubank is its prudent lending policy implemented together with its stable growth target and its strong asset structure. The ultimate authority for allocating loan limits in Anadolubank rests with the Board of Directors. This authority was delegated to Head Office level as documented by written rules, and is regularly monitored and reported by the Risk Management unit.

Various rating systems are used in the credit rating processes of Anadolubank's customers. A special system developed internally by the Bank is used for rating loan collaterals. Credit risks are monitored alongside customer and collateral ratings.

Anadolubank sets the maximum credit limit for a single customer with a more prudent approach than that required by law, thereby preventing the concentration of loans. In the process of the creation of an infrastructure including the data to be used in the measurement of the credit risk through the standard method within the scope of the Basel II criteria, the Risk Management Department agreed with a supplier company and the compliance/measurement studies were completed in 2012.

Exchange Rate Risk

The exchange rate risk represents the potential loss that banks may incur as a result of foreign exchange rate fluctuations. When calculating the capital liabilities due to exchange rate risk, all of the Bank's foreign currency assets, liabilities and forward exchanges are taken into consideration. The Value at Risk is then calculated and reported with the standard method.

The position limit set by the Board of Directors and the position details are reported on a daily basis. As part of the Bank's risk management strategy, all foreign currency borrowings are hedged against foreign exchange rate risk via derivative products.

Operational Risk

Operational risk exists in all activities and is defined as potential loss due to human error, systemic error, or inadequate controls or practices. At the same time, the operational risk also includes the possibility of loss from internal and external fraud as well as natural disasters. Operational risk management activities are performed with the coordination of the Bank's Risk Management Department.

The main controls used for mitigating operational risk include compliance with laws and regulations, a commitment to ethical values of banking, information security, prevention of internal and external fraud, emergency plans, business continuity and "Know Your Customer" policies.

All policies, procedures, workflows and processes used at Anadolubank are analysed and evaluated with a risk-oriented approach. The Internal Audit Board and the Internal Control Centre audit the compliance of the Bank's transactions with laws and regulations, and monitor personnel errors or abuses.

FINANCIAL INFORMATION

Evaluation of the Financial Statements

Balance Sheet Analysis

Loans, particularly those allocated to small and medium-sized companies to meet their working capital needs, constitute the foundation of Anadolubank's strategy. This important product is complemented by consumer loans (mostly housing loans), and credit cards, which make up the total loans portfolio. The very low non-performing loan ratio has been achieved as a result of a prudent lending policy, which avoids interest rate risk and targets maximum diversification.

The share of loans in Anadolubank's total assets amounted to 68.7% in 2013.

Cash Loans By Industry

(%)	2013	2012
Agriculture	6.16	6.17
Farming and stockbreeding	5.78	5.69
Forestry	0.29	0.36
Fishing	0.09	0.12
Industry	**33.89**	**32.11**
Mining and quarrying	0.87	0.88
Manufacturing	32.56	30.72
Electricity. gas. water	0.46	0.51
Construction	**8.48**	**9.15**
Services	**38.52**	**35.88**
Wholesales and retail trade	19.73	15.85
Hotel and restaurant services	0.70	0.70
Transportation and communication	2.56	2.99
Financial institution	11.67	12.46
Real estate and rent services	0.36	0.14
Professional services	1.91	2.25
Educational services	0.14	0.15
Health and social services	1.45	1.34
Consumer loans	**8.93**	**12.90**
Credit card	**2.07**	**2.14**
Others	**1.95**	**1.65**
Total	**100**	**100**

Non-Cash Loans By Industry

(%)	2013	2012
Agriculture	**1.58**	**1.58**
Farming and stockbreeding	1.37	1.38
Forestry	0.21	0.19
Fishing	0.001	0.01
Industry	**35.17**	**32.7**
Mining and quarrying	0.91	0.31
Manufacturing	33.98	31.34
Electricity. gas. water	0.28	1.05
Construction	**18.72**	**21.18**
Services	**44.11**	**43.55**
Wholesales and retail trade	15.22	17.39
Hotel and restaurant services	0.64	0.35
Transportation and communication	2.06	3.57
Financial institution	20.25	16.97
Real estate and rent services	0.01	0.02
Professional services	3.61	3.57
Educational services	0.19	0.17
Health and social services	2.12	1.51
Consumer loans	**-**	**-**
Credit card	**-**	**-**
Others	**0.42**	**1**
Total	**100**	**100**

Loan Balances
(TL thousands)

	Year ended on December 31, 2013	2012	Percent to Total 2012	2011	Change (%)
Corporate loans	**5,519,862**	**4,297,938**	**89.0**	**85.0**	**28.4**
TL loans	3,880,071	3,316,268	62.6	65.6	17.0
FX loans	1,639,791	981,670	26.4	19.4	67.0
Retail loans	**553,760**	**652,392**	**8.9**	**12.9**	**-15.1**
TL loans	500,633	576,252	8.1	11.4	-13.1
FX loans	53,127	76,140	0.9	1.5	-30.2
Credit card receivables	**128,497**	**108,188**	**2.1**	**2.1**	**18.8**
Total	**6,202,119**	**5,058,518**	**100**	**100**	**22.6**

Non-performing Loans

Anadolubank places vital importance on the control mechanisms established to monitor loan allocations. Loan evaluation, approval and monitoring activities, which are dealt with at the Head office level, are analysed by four separate departments under the leadership of a member of the Board of Directors. As a result of the care shown in this regard, and the successful risk evaluation strategies, the Bank's non-performing loan ratio is considerably below the sector average. In addition, the Bank allocates 100% provision for non-performing loans.

Non-Performing Loans
(TL thousands)

	Year ended on 2013	Year ended on 2012
Balance at the beginning of the year	177,055	90,851
Additions	75,898	93,481
Reductions	76,064	7,277
Payments	19,571	7,277
Written off	56,493	-
Foreign currency difference	5,399	-
Balance at the end of the year	**182,288**	**177,055**
Provision for non-performing loans	**182,288**	**177,055**
Net non-performing loans	**-**	**-**
NPL/Total Loans	**2.86%**	**3.39%**

Liquidity

Liquidity is used to fund assets and to benefit from investment opportunities that may arise in the markets. Liquidity management gains importance in Turkey's fast-changing economic environment, and in occasional periods of uncertainty. Unused credit limits with other banks, repurchase agreements, and investments in financial institutions with very short-term loans are all considered as liquidity. Short-term loan portfolios raise liquidity. The broad base of the liquidity depends on customer deposits and the following funding sources.

Liquid Assets
(TL thousands)

	Year ended on December 31, 2013	2012	Percent to Total Assets 2012	2011	Change (%)
Cash on hand	60,373	45,528	0.7	0.6	32.6
Central Bank deposits/ Legal reserves	798,745	615,847	8.9	8.4	29.7
Receivables from reverse repurchase agreement	150,032	80,014	1.7	1.1	87.5
Placement with banks	340,836	272,087	3.8	3.7	25.3
Total	**1,349,986**	**1,013,476**	**15.0**	**13.8**	**33.2**

Securities

Anadolubank's activities in this field are limited to Turkish treasury bills and government bonds. The investments in government bonds are generally financed by very short-term repurchase agreements and deposits. Therefore, they may vary from one reporting period to the next depending on risk, source of funding and maturity terms.

Breakdown of Securities
(TL thousands)

	Year ended on December 31,		Percent to Total Assets		
	2013	2012	2012	2011	Change (%)
Held-for-trading	**139,755**	**153,480**	**1.5**	**2.1**	**-8.9**
Government bonds in TL	74,410	131,011	0.8	1.8	-43.2
Eurobonds issued by the Turkish Government	533	64	-	-	732.8
Equity securities	11,528	1,959	0.1	-	488.5
Other	53,284	20,446	0.6	0.3	160.6
Available for sale investments	**755,941**	**700,680**	**8.4**	**9.5**	
Government bonds in TL	-	-	-	-	
Eurobonds issued by the Turkish Government	688,800	689,032	7.6	9.4	
Other	67,141	11,648	0.7	0.2	
Investment securities	**217,662**	**175,198**	**2.4**	**2.4**	**24.2**
Turkish Government bonds	11,123	9,003	0.1	0.1	23.5
Eurobonds issued by the Turkish Government	-	-	-	-	-
Corporate bonds	206,539	166,195	2.3	2.3	24.3
Total	**1,113,358**	**1,029,358**	**12.3**	**14.0**	**8.2**

Deposits

As a result of the efforts to establish a reliable and diversified funding base, Anadolubank's retail banking services, and deposits in particular, which is our major individual product, grew compared to the previous year.
The following table summarises our efforts in this regard.

Composition of Deposits
(TL thousands)

	Year ended on December 31,		Percent to Total Assets		
	2013	2012	2011	2010	Change (%)
TL deposits	**3,426,818**	**2,658,260**	**38.0**	**36.1**	**28.9**
Demand deposits	276,673	258,421	3.1	3.5	7.1
Time deposits	3,150,145	2,399,839	34.9	32.6	31.3
FX deposits	**2,177,399**	**1,835,626**	**24.1**	**24.9**	**18.6**
Non-interest bearing demand	526,235	421,109	5.8	5.7	25.0
Time	1,651,164	1,414,517	18.3	19.2	16.7
Total	**5,604,217**	**4,493,886**	**62.1**	**61.0**	**24.7**

Capital Adequacy
(TL thousands)

	Consolidated Year ended on December 31, 2013	2012	Bank Only Year ended on December 31, 2013	2012
Capital Base	1,215,589	1,181,741	1,104,199	1,123,755
Risk Weighted Assets	6,584,500	5,274,246	5,589,975	4,500,488
VaR	960,050	607,788	930,538	610,200
Operational risk	804,475	701,988	731,175	629,975
Capital adequacy ratio	14.56%	17.95%	15.23%	19.58%

Shareholders' Equity

Traditionally, dividends are not distributed in Anadolubank, and the dividend obtained in 2013 will also be added to the shareholders' equity.

Shareholders' Equity Growth
(TL thousands)

	Year ended on December 31, 2013	2012	Percent to Total Assets 2013	2012	Change (%)
Total shareholders' equity	1,226,156	1,270,649	13.6	17.3	-3.5

Guarantees and Suretyships

Guarantees and suretyships are composed of letters of credit for trade financing activities, which are prepared by the banks for their customers' orders to be used extensively in business contracts, letters of guarantee related to miscellaneous tenders, and other guarantees and suretyships. These instruments gained even more significance in the efforts of the banks' to expand their non-interest income to compensate the decline in their interest income due to falling interest rates.

Non-Cash Loans
(TL thousands)

	2013	2012	Change (%)
Letters of guarantee	1,438,485	1,180,978	21.8
Letters of credit	250,204	294,490	-15.0
Other guarantees and acceptances	129,728	173,131	-25.1
Total	**1,818,417**	**1,648,599**	**10.3**

Income Statement Analysis

Interests

Net interest income of our Bank amounted to TL 349 million in 2013.

Interest Income (TL thousands)

	2013	2012	Change (%)
Interest on loans	604,797	698,209	-13.4
Interest on securities	67,022	112,067	-40.2
Other interest income	16,141	12,877	25.3
Total interest income	**687,960**	**823,153**	**-16.4**
Interest on customer deposits	268,286	304,968	-12.0
Interest on borrowing from banks	29,019	72,619	-60.0
Total interest expense	**297,305**	**377,587**	**-21.3**
Net interest income	**390,655**	**445,566**	**-12.3**
NIM (Net Interest Margin)	**4.77**	**6.34**	

Non-interest Income-Expenses

Anadolubank's efforts to manage its non-interest income were focused on three main areas in 2013:

a) Strict control of costs,
b) Acquisition of commissions within the context of off balance sheet items such as letters of guarantee and letters of credit, and
c) Enhancing existing non-risk products and development of new products.

Non-Interest Income (TL thousands)

	2013	2012	Change (%)
Net fees and commissions	58,081	56,280	3.2
Trading & FX income/loss	11,134	23,193	52.0
Other income	11,099	10,185	9.0
Total non-interest income	**80,314**	**89,658**	**-10.4**
Personnel expenses	184,849	159,626	15.8
Other non-interest expenses	91,863	72,144	27.3
Total non-interest expense	**276,712**	**231,770**	**19.4**
Net non-interest income	**-196,398**	**-142,112**	**-38.2**

Net Income (TL thousands)

	2013	2012	Change (%)
Net interest income	390,655	445,566	-12.3
Net non-interest income	-196,398	-142,112	-38.2
Gross income	**194,257**	**303,454**	**-36.0**
Provision for loan losses	-56,327	-86,204	34.7
Income before taxation	**137,930**	**217,250**	**-36.5**
Tax charge	-27,819	-41,477	32.9
Profit from continuing operations	**110,111**	**175,773**	**-37.4**
ROA (Return on Assets)	1.34	2.50	
ROE (Return on Equity)	8.82	15.84	
Operational Efficiency	58.75	43.30	

REPORT OF THE AUDIT COMMITTEE REGARDING THE FUNCTIONING OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

Legal compliance, internal audit, internal control and risk management, issues on which the Bank has placed great emphasis since its establishment, have all been structured in compliance with the Regulation on the Bank's Internal Systems, dated November 1, 2006 and issued by the Banking Regulation and Supervision Agency. This structure is compatible with the scope and nature of our activities and is qualified and efficient enough to respond to changing conditions.

The Legal Compliance Department, which was restructured in 2008 to serve under the member of the Board of Directors responsible for Internal Systems, responsibly performed its duties of ensuring that "all banking activities and transactions" performed at the Head office and branches of Anadolubank are in compliance with national and international banking laws, rules and practices, as well as with the moral and ethical norms required by the banking profession, and managing the reputation risk of the Bank within the overall framework. In addition, the department also continued its studies in order to ensure compliance with Law numbered 5549 and relevant legislations, and the Regulation Pertaining to the Program for Compliance with the Requirements on the Prevention of Money Laundering and Financing of Terror.

The aim of the internal audit (inspection) system is to provide assurance to the senior management that the Bank's operations are carried out in full compliance both with the legislations and the Bank's strategies, policies, principles and objectives, and to oversee the adequacy and effectiveness of the Internal Control and Risk Management systems. The internal audit (inspection) system has been configured in such a way that it covers all activities and units of the Bank. The Board of Directors has taken all the necessary measures for the Internal Audit Board to investigate all of the activities and the units of the subsidiaries that are subject to consolidation controlled by the Bank, without any limitations.

The Internal Audit Board carries out its auditing activities mainly as a result of the risk-based evaluations. In 2013, general, ordinary and special purpose audits were carried out and the feasibility studies were conducted by the Internal Audit Board among the branches, Head Office and the subsidiaries of the Bank. Furthermore, the adequacy and effectiveness of the Internal Control and Risk Management systems of the Bank are also monitored and audited.

In 2013, the Internal Control Centre investigated all of the banking transactions conducted by the Head Office units, branches and subsidiaries of the Bank, with a risk-based approach by means of central and on-site control methods. The transactions carried out by all of the branches were examined on the pre-determined risk-based control points by means of central controls. In addition to the transaction-based controls, it was ensured that the required regulations were made to eliminate the discrepancies being encountered in the workflows, banking system or practices, and to make them more efficient. Through on-site controls, the compliance of the transactions made and documentation produced in the branches, Head Office units and the subsidiaries of the Bank with the internal and external legislations were controlled. As a result of these controls, it was ensured that the identified problems were resolved, or elsewise were reported to the related units for monitoring, and the operational risks arising from the banking activities were minimised.

The Centre contributed to the determination of the control points in the work flows by analysing the Bank's legislation, and offered various recommendations aiming to improve the work processes by performing process analysis.

The controls pertaining to the errors and deficiencies that may occur in the financial reporting systems were conducted.

The compliance of the authority and approval profiles defined in various banking programmes used for the conducting of banking transactions with the authority and responsibilities provided to the personnel were examined on a regular basis.
It was ensured that the results of the controls performed by the branches, Head Office units and subsidiaries conducting the operational activities were reported to the Internal Control Centre on a regular basis, and that the self-evaluation forms created within this framework enabled said reporting to the Internal Control Centre on a regular basis.

The Risk Management Department is responsible for defining, classifying, measuring, monitoring, and analysing the risks borne by the Bank, and for reporting them to the relevant parties, within the framework of the relevant legislations and the rules set by risk management principles approved by the Bank's Board of Directors

The Risk Management process consists of the definition and measurement of the risks, identification of risk policies and application methods, analysing, monitoring, reporting and auditing of the risks, within the framework of the relevant legislations and the rules set by the Risk Management Department and the senior management, and approved by the Bank's Board of Directors. The risk management process, which is projected within the frame of the risk management regulations, and contributes to the adoption of a risk culture throughout the Bank, aims to ensure "good corporate governance". The risk management process is a structure in which the risks are defined, measured, analysed, monitored, reported and audited in accordance with international regulations. In line with the efforts of creating a "common risk culture and awareness", risk limits were determined for each risk group, and the process of adaptation to these limits was monitored through periodical observations.

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Financial Statements
as at and
For The Year Ended
31 December 2013
with Independent
Auditors' Report
Thereon

Independent Auditors' Report

To the Board of Directors of Anadolubank Anonim Şirketi,

Introduction

We have audited the accompanying consolidated financial statements of Anadolubank Anonim Şirketi ("the Bank"), 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from 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 judgments, 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Bank 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.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2012 was audited by another auditor who expressed an unmodified opinion on those statements on 18 April 2013, respectively.

12 March 2014
Istanbul, Turkey

Notes to the consolidated financial statements

Consolidated Statement of Financial Position
as at 31 December 2013

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

	Notes	31 December 2013	31 December 2012
ASSETS			
Cash and balances with the Central Bank	6	859,118	661,375
Deposits with banks and other financial institutions	6	340,836	272,087
Receivables from reverse repurchase transactions	6	150,032	80,014
Financial assets at fair value through profit or loss	7	139,755	153,480
Derivative financial assets held for trading purpose	8	75,670	18,229
Investment securities	9	973,603	875,878
Available for sale investments		755,941	700,680
Investments held to maturity		217,662	175,198
Loans and receivables	10	6,197,691	5,058,518
Property and equipment	12	26,929	24,094
Intangible assets	13	2,635	2,906
Deferred tax assets	18	13,865	3,865
Other assets	14	238,190	211,867
Total assets		**9,018,324**	**7,362,313**
LIABILITIES			
Deposits from banks	15	323,528	209,109
Deposits from customers	15	5,604,217	4,493,886
Obligations under repurchase agreements	15	811,840	592,810
Funds borrowed	16	668,432	368,846
Derivative financial liabilities held for trading purpose	8	33,620	6,625
Deferred tax liabilities	18	-	37,747
Other liabilities and provisions	17	350,213	374,898
Income taxes payable	18	317	7,743
Total liabilities		**7,792,167**	**6,091,664**
EQUITY			
Share capital	19	602,619	602,619
Reserves		60,118	205,923
Retained earnings		561,279	459,959
Total equity attributable to equity holders of the Bank		**1,224,016**	**1,268,501**
Non-controlling interests	**19**	**2,141**	**2,148**
Total equity		**1,226,157**	**1,270,649**
Total liabilities and equity		**9,018,324**	**7,362,313**

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

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Consolidated Statement of Income for the Year Ended 31 December 2013
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	Notes	1 January-31 December 2013	1 January-31 December 2012
Continuing operations:			
Interest income:			
Interest on loans and receivables	21	604,797	698,209
Interest on marketable securities	21	67,022	112,067
Interest on deposits with banks and other financial institutions	21	472	1,521
Interest on other money market placements	21	10,662	7,278
Other interest income	21	5,007	4,078
Total interest income		**687,960**	**823,153**
Interest expenses:			
Interest on deposits	21	(268,286)	(304,968)
Interest on other money market deposits	21	(14,728)	(58,433)
Interest on funds borrowed	21	(13,885)	(14,084)
Other interest expenses	21	(406)	(102)
Total interest expenses		**(297,305)**	**(377,587)**
Net interest income		**390,655**	**445,566**
Fee and commission income	22	72,192	70,391
Fee and commission expenses	22	(14,111)	(14,111)
Net fee and commission income		**58,081**	**56,280**
Other operating income:			
Trading income from marketable securities	23	68,771	29,203
Trading gains from derivatives	23	80,752	51,393
Other income	23	11099	10,185
Total other operating income		**160,622**	**90,781**
Other operating expenses:			
Salaries and employee benefits	23-24	(184,849)	(159,626)
Trading losses from marketable securities	23	-	-
Trading losses from derivatives	23	-	-
Foreign exchange losses, net	23	(138,389)	(57,403)
Provision for possible loan losses, net of recoveries	23	(56,327)	(86,204)
Depreciation and amortization	23	(8,520)	(6,916)
Taxes other than on income	23	(14,596)	(11,528)
Other expenses	23-25	(68,729)	(53,700)
Total other operating expense		**(471,410)**	**(375,377)**
Income from operations		**137,948**	**217,250**
Taxation	18	(27,819)	(41,477)
Profit from continuing operations		**110,129**	**175,773**
Profit for the year attributable to:			
Equity holders of the Bank		110,151	175,564
Non-controlling interests		(22)	209
Earnings per share from continuing operations (full TL)			
Equity holders of the Bank		0.001835	0.002926
Non-controlling interests		0.000001	0.000003
Equity holders of the Bank		0.001835	0.002926
Non-controlling interests		0.000001	0.000003

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

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2012

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

	Notes	1 January- 31 December 2013	1 January- 31 December 2012
Profit for the year		**110,129**	**175,773**
Other comprehensive income:			
Foreign currency translation differences for foreign operations		45,197	(6,464)
Fair value reserve of available for sale financial assets transferred to profit or loss		(199,801)	153,087
Other comprehensive income for the year, net of income taxes		**(154,604)**	**146,623**
Total comprehensive income for the year		**(44,475)**	**322,396**
Profit attributable to:			
Equity holders of the Bank		110,151	175,564
Non-controlling interests		(22)	209
Profit for the year		**110,129**	**175,773**
Total comprehensive income attributable to:			
Equity holders of the Bank		(44,484)	322,194
Non-controlling interests		9	202
Total comprehensive income for the year		**(44,475)**	**322,396**

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2013

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

		Attributable to equity holders of the Bank							
	Notes	Share capital	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
Balances at 1 January 2012		602,619	27,800	(2,690)	29,576	289,002	946,307	1,946	948,253
Net profit for the year		-	-	-	-	175,564	175,564	209	175,773
Other comprehensive income		-	-	153,087	-	-	153,087	-	153,087
Currency translation adjustments		-	(6,457)	-	-	-	(6,457)	(7)	(6,464)
Total other comprehensive income		-	(6,457)	153,087	-	-	146,630	(7)	146,624
Total comprehensive income for the year		-	(6,457)	153,087	-	175,564	322,194	202	322,396
		-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity		-	-	-	-	-	-	-	-
Gains on sale of assets		-	-	-	60	(60)	-	-	-
Transfers to other reserves		-	-	-	4,547	(4,547)	-	-	-
Balances at 31 December 2012		602,619	21,343	150,397	34,183	459,959	1,268,501	2,148	1,270,649

		Attributable to equity holders of the Bank							
	Notes	Share capital	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
Balances at 1 January 2012		602,619	27,800	(2,690)	29,576	289,002	946,307	1,946	948,253
Net profit for the year		-	-	-	-	175,564	175,564	209	175,773
Other comprehensive income		-	-	153,087	-	-	153,087	-	153,087
Currency translation adjustments		-	(6,457)	-	-	-	(6,457)	(7)	(6,464)
Total other comprehensive income		-	(6,457)	153,087	-	-	146,630	(7)	146,624
Total comprehensive income for the year		-	(6,457)	153,087	-	175,564	322,194	202	322,396
		-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity		-	-	-	-	-	-	-	-
Gains on sale of assets		-	-	-	60	(60)	-	-	-
Transfers to other reserves		-	-	-	4,547	(4,547)	-	-	-
Balances at 31 December 2012		602,619	21,343	150,397	34,183	459,959	1,268,501	2,148	1,270,649

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

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows
for the Year Ended 31 December 2013

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

	Notes	1 January- 31 December 2013	1 January- 31 December 2012
Cash flows from operating activities:			
Profit for the year			175,773
Adjustments for:			
Taxation	18		41,477
Provision for loan losses			91,510
Depreciation and amortization	23		6,916
Provision for retirement pay liability	17		5,168
Unused vacation accruals	17		1,565
Derivative financial instruments			(57,231)
Currency translation differences			(6,464)
Net interest income			(487,107)
Gain on sale of property and equipment			(98)
Other			48,830
Operating profit before changes in operating assets/liabilities:			**(179,661)**
Reserve deposits at the Central Bank			(181,148)
Financial assets at fair value through profit or loss			275,436
Loans and receivables			(602,610)
Other assets			33,343
Deposit with other banks and customers			347,020
Other liabilities and provisions			101,182
			(206,438)
Interest paid			(385,436)
Interest received			823,898
Retirement benefits paid	17		(2,813)
Unused vacation accruals	17		(380)
Income taxes paid			(40,360)
Cash provided by/(used in) operating activities			**188,471**
Cash flows from investing activities			
Acquisition of investment securities	9		(127,388)
Proceeds from sale of investment securities	9		64,574
Acquisition of property and equipment			(10,302)
Proceeds from sale of property and equipment			8,219
Cash provided by/(used in) investing activities			**(64,897)**
Cash flows from financing activities			
Change in funds borrowed			(67,237)
Cash provided by/(used in) financing activities			**(67,237)**
Effect of exchange rate fluctuations on cash held			(5,699)
Net decrease in cash and cash equivalents			50,638
Cash and cash equivalents at the beginning of the year	6		518,053
Cash and cash equivalents at the end of the year	**6**		**568,691**

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

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

1. Overview of the Bank

Anadolubank Anonim Şirketi (the "Bank"), has commenced its operations on 25 September 1997 in Turkey under the Turkish Banking Law and the Commercial Code pursuant to the permit of Turkish Undersecretariat of Treasury dated 25 August, 1997 and numbered 39692. The Bank provides corporate, commercial and retail banking services through a network of 115 (31 December 2012: 91) domestic branches. The address of the headquarters and registered office of the Bank is Cumhuriyet Mahallesi Silahşör Cad. No: 77 34380 Bomonti-Şişli / Istanbul-Turkey. The ultimate parent of the Bank is Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ.

Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ. was founded by Hamdi Başaran in 1956 with the name "Hamdi Başaran Topkapı Oxygen Plant " to implement modern industrial gas production. The growth of the company started in 1967 with the production of oxygen, nitrogen and argon gases in liquid form for the first time in Turkey. Today, Habaş, is one of the major companies of Turkey, producing industrial and medical gases, steel, electrical energy, heavy machinery, distributing Liquified Petroleum Gas (LPG), Liquified Natural Gas (LNG) and Compressed Natural Gas (CNG), offering sea transportation services for LPG and operating sea ports.

The Bank has four subsidiaries which are Anadolubank International Banking Unit Limited ("Anadolubank International"), Anadolu Yatırım Menkul Kıymetler A.Ş. ("Anadolu Yatırım"), Anadolu Faktoring Hizmetleri A.Ş. ("Anadolu Faktoring"), and Anadolubank Nederland N.V. ("Anadolubank Nederland").

The Bank has 99.40% ownership in Anadolubank International, established in the Turkish Republic of Northern Cyprus ("TRNC"). Anadolubank International is licensed to undertake all commercial banking transactions.

The Bank has 82% ownership in Anadolu Yatırım, a brokerage and investment company, located in Istanbul. Anadolu Yatırım was established on 21 September 1998 and mainly involved in trading of and investing in securities, stocks, treasury bills and government bonds provided from capital markets; the management of mutual funds and performing intermediary services.

The Bank has acquired 99.99% of Anadolu Faktoring from Habaş Petrol Ürünleri Sanayi ve Ticaret A.Ş. (which is a related party) on 27 October 2008. Anadolu Faktoring was established in Istanbul on 20 March 2007 by obtaining the factoring license which is required to operate in the factoring sector.

The Bank has 100.00% ownership in Anadolubank Nederland, located in Amsterdam – the Netherlands. The Bank engages in banking operations in the Netherlands.

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

2. Basis of preparation

(a) Statement of compliance

The Bank and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), the Capital Markets Board of Turkey, the Turkish Commercial Code, and the Turkish Tax Legislation. The Bank's foreign subsidiaries maintain their books of account and prepare their statutory financial statements in US Dollar and in EUR in accordance with the regulations of the countries in which they operate.
The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). The Group adopted all IFRSs, which were mandatory as at 31 December 2013.

2. Basis of preparation (continued)

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for the following assets and liabilities which are stated at their fair values if reliable measures are available: derivative financial assets and liabilities held for trading purposes, financial assets at fair value through profit or loss and available for sale financial assets.

(c) Functional currency and presentation currency

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

(d) Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on IAS 29 – Financial Reporting in Hyperinflationary Economies as at 31 December 2005. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years 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 was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute ("TURKSTAT"). This, together with the sustained positive trend in quantitative factors, such as the stabilization in capital and money markets, decrease in interest rates and the appreciation of TL against the US Dollar and other hard currencies have been taken into consideration to categorize Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006.

(e) Use of estimates and judgments

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

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

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 8 – Derivative financial assets and liabilities held for trading purpose
- Note 10 – Loans and receivables
- Note 17 – Other liabilities and provisions
- Note 18 – Income taxes
- Note 27 – Financial risk management

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

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

(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 financial statements.

(b) Interests in other entities

As a result of IFRS 12, the Group has expanded disclosures about its interests in subsidiaries. The disclosure requirements related to its involvement in unconsolidated structured entities are not included in the comparative information.

(c) Fair value measurement

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, , 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 financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

(d) Offsetting financial assets and financial liabilities. As a result of the amendments to IFRS 7, the Group has expanded disclosures about offsetting financial assets and financial liabilities.

(e) Presentation of items of OCI. As a result of the amendments to IAS 1, the Group has modified the presentation of items of 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 has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit plans. Under IAS 19 (2011), the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises:

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

The change did not have a material impact on the Group's financial statements.

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

3. Significant accounting policies

Except the changes disclosed in Note 2.6, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1. Basis of consolidation

(i) Non-controlling interests

NCI 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. 'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Subsidiaries

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI 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.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.1. Foreign currency transactions

Transactions are recorded in TL, which represents the Group's functional currency except for Anadolubank International and Anadolubank Nederland. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate on that date. Foreign currency differences arising on retranslation are recognized in profit or loss and other comprehensive income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The official TL exchange rates used by the Group for foreign currency translation are as follows:

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

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3. Significant accounting policies(continued)

3.2. Profit share

Profit share income and expense are recognized in profit or loss and other comprehensive income statement using the effective rate method, except for the profit share income on overdue loans. The effective rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial assets or liabilities.

Profit share income and expense presented in the profit or loss and other comprehensive income statement include:

- profit share on financial assets and liabilities at amortized cost on an effective rate basis,
- profit share on available-for-sale investment securities on an effective rate basis,

3.3. Fees and commission

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognized as the related services are provided. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

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

3.4. Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealized fair value changes, except for the unrealized gains of available for sale securities.

3.5. Dividends

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

3.6. Lease payments made

Payments made under operating leases are recognized in profit or loss and other comprehensive income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized 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 profit share on the remaining balance of the liability.

3. Significant accounting policies (continued)

3.7. Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in profit or loss and other comprehensive income statement.

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

Deferred tax is recognized 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 recognized 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.8. Financial assets and liabilities

Recognition

The Group initially recognises loans, lease receivables and advances, deposits and funds borrowed on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date on which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Classification

See accounting policies 3.9, 3.10, 3.11, 3.12 and 3.18.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any profit share in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of the consideration received (including the new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Available-for-sale assets and financial assets at fair value through profit or loss that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as at the date the Group commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

3. Significant accounting policies (continued)

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it 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 Group'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 rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the 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, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same and discounted cash flow analyses. 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. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Identification and measurement of impairment

At each reporting date, the Group 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.

Loans and receivables are presented net of specific and portfolio basis allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts. In assessing the recoverable amounts of the loans and receivables, the estimated future cash flows are discounted to their present value. Portfolio basis allowances are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the reporting date. In order to determine allowance rate for portfolio basis, the Group uses historical allowance rates based on its own statistical data.

3. Significant accounting policies (continued)

3.8. Financial assets and liabilities (continued)

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in profit share, penalty or principal payments;
- the Group 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 becomes 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 Group, including:

- adverse changes in the payment status of borrowers; or
- national or local economic conditions that correlate with defaults on the assets in the Bank.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Profit share on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

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. Changes in impairment provisions attributable to time value are reflected as a component of profit share income.

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 directly in other comprehensive income.

The Group writes off certain loans and advances when they are determined to be uncollectible.

Designation at fair value through profit or loss

Financial assets at fair value through profit or loss are trading financial assets, such as equity participations, acquired principally with the intention of disposal within a short period for the purpose of short-term profit making. These assets or liabilities are managed, evaluated and reported internally on a fair value basis.

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3. Significant accounting policies (continued)

3.9. Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central Bank, cash on transit and loans and advances to banks. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.10. Fair value through profit or loss

The Group designates some financial assets at fair value, with fair value changes recognised immediately in profit or loss and other comprehensive income statement as described in accounting policy 3.8.

3.11. Loans, lease receivables and advances

Loans, lease receivables and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

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

Loans, lease receivables and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective rate method.

3.12. Available-for-sale investment securities

Available-for-sale investments, which are initially measured at fair value plus incremental direct transaction costs, are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. All available-for-sale investments are carried at fair value.

Profit share income is recognised in profit or loss using the effective rate method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Fair value changes are recognised in profit or loss and other comprehensive income statement until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in profit or loss and other comprehensive income statement are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

3.13. Trading assets and liabilities

'Trading assets and liabilities' are those assets and liabilities that the Group 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 recognised in 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, except that non-derivative trading assets, other than those designated at fair value through profit or loss on initial recognition, may be reclassified out of the fair value through profit or loss – i.e. trading – category if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met.

3. Significant accounting policies (continued)

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held-for-trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in rare circumstances.

3.14. Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses except for buildings owned which are measured at fair value. Change in fair value is reflected into "revaluation reserve" account in other comprehensive income.

Cost includes expenditures that are directly attributable to the acquisition of the asset.
The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within the other operating income or other operating expense in profit or loss.

Subsequent costs

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

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

	Years
Buildings and land improvements	50
Machinery and equipment	5
Office equipment	5
Furniture, fixtures and vehicles	5
Leasehold improvements	shorter of the useful life of the asset or the lease term

Leasehold improvements are amortized over the shorter of periods of the respective leases and their useful lives, also on a straight-line basis.

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

3.15. Intangible assets

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. 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.

3. Significant accounting policies (continued)

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 since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three to five years. Amortisation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

3.16. Leased assets – lessee

Leases in terms of which the Group 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 Group's statement of financial position.

3.17. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at 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 statement of comprehensive income. 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 in respect of other assets, impairment losses recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

3.18. Deposits, debt securities issued, funds borrowed

Deposits are the Bank's main source of debt funding. Deposits of the Bank comprised of the customers' current and profit sharing accounts.

Costumers' current and profit sharing accounts are initially recognized at cost. Subsequent to the initial recognition, all profit share accounts are recognized considering the attribute profits or any losses incurred on the respective loan balances. In all cases, profit/loss sharing accounts receive a proportion of the profit or bear a share of loss based on the results of the respective loan balances.

Debt securities issued and funds borrowed are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

3.19. Provisions

A provision is recognised if, as a result of a past event, the Group 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.

3. Significant accounting policies (continued)

3.19. Provisions (continued)

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group 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 Group recognises any impairment loss on the assets associated with that contract.

3.20. Employee benefits

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. Employment termination benefit is not a funded liability and there is no requirement to fund it. Employment termination benefit is calculated based on the estimation of the present value of the employee's probable future liability arising from the retirement. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the bank's obligation under defined employee plans. IAS 19 ("Employee Benefits") has been revised effective from the annual period beginning after 1 January 2013. In accordance with the revised standard, actuarial gain / loss related to employee benefits shall be recognized in other comprehensive income.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group does not have any internally set defined contribution plan.

3.21. 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 Group's Management Committee (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. Segment results that are reported to the Board of Directors include items directly attributable to that segment as well as those that can be allocated on a reasonable basis.

3.22. 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 financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

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3. Significant accounting policies (continued)

3.23. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated interim financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 Financial Instruments

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. 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. Given the nature of the Group's operations, this standard is expected to have an impact on the Group's financial statements. The Group is still evaluating the potential effect of the adoption of the amendments to IFRS 9.

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.

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4. Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the chief operating decision maker, the Board of Directors reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Investment banking

Includes the Group's trading and corporate finance activities.

Corporate and commercial banking

Includes loans, deposits and other transactions and balances with corporate customers.

Retail banking

Includes loans, deposits and other transactions and balances with retail customers.

Treasury

Undertakes the Group's funding and centralized risk management activities through borrowings, issues of debt securities and investing in liquid assets such as short-term placements and corporate and government debt securities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Information about operating segments

31 December 2013	Retail Banking	Corporate and Commercial Banking	Treasury	Investment Banking	Others	Consolidated
Net interests, fees, and commissions income	161,754	182,486	98,985	5,463	48	448,736
Other operating income and expenses, net	(112,029)	(126,387)	(68,555)	(3,784)	(34)	(310,789)
Profit before taxes	**49,725**	**56,099**	**30,430**	**1,679**	**14**	**137,947**

31 December 2013	Retail Banking	Corporate and Commercial Banking	Treasury	Investment Banking	Others	Consolidated
Segment assets	1,987,950	4,246,902	2,291,540	79,146	412,786	9,018,324
Total assets	**1,987,950**	**4,246,902**	**2,291,540**	**79,146**	**412,786**	**9,018,324**
Segment liabilities	1,938,787	3,839,160	1,631,072	32,724	350,424	7,792,167
Equity and non-controlling interests					1,226,157	1,226,157
Total liabilities and equity	**1,938,787**	**3,839,160**	**1,631,072**	**32,724**	**1,576,581**	**9,018,324**
Other Segment Assets:						
Capital expenditures					11,032	**11,032**
Depreciation and amortization expenses					8,364	**8,364**
Other non-cash income/expenses	33,028	35,374	22,002	1,416	-	**91,820**

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4. Operating segments (continued)

Information about operating segments (continued)

31 December 2012	Retail Banking	Corporate and Commercial Banking	Treasury	Investment Banking	Others	Consolidated
Net interests, fees, and commissions income	202,294	246,595	42,999	9,665	293	501,846
Other operating income and expenses, net	(106,490)	(156,496)	(15,483)	(5,849)	(278)	(284,596)
Profit before taxes	**95,804**	**90,099**	**27,516**	**3,816**	**15**	**217,250**

31 December 2012	Retail Banking	Corporate and Commercial Banking	Treasury	Investment Banking	Others	Consolidated
Segment assets	1,760,958	3,511,927	1,806,592	40,104	242,732	7,362,313
Total assets	**1,760,958**	**3,511,927**	**1,806,592**	**40,104**	**242,732**	**7,362,313**
Segment liabilities	1,402,861	2,797,764	1,439,214	31,949	419,876	6,091,664
Equity and non-controlling interests	-	-	-	-	1,270,649	1,270,649
Total Liabilities and Equity	**1,402,861**	**2,797,764**	**1,439,214**	**31,949**	**1,690,525**	**7,362,313**
Other Segment Assets:						
Capital expenditures	-	-	-	-	15,911	**15,911**
Depreciation and amortization expenses	-	-	-	-	6,916	**6,916**
Other non-cash income/expenses	20,269	22,754	6,594	878	-	**50,495**

5. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash on hand	60,373	45,528
Reserve deposits at the Central Bank	798,682	615,786
Balances with the Central Bank	63	61
Total	**859,118**	**661,375**
Deposits with banks and other financial institutions	340,836	272,087
Receivables from reverse repurchase agreement	150,032	80,014
Total cash and cash equivalents in the consolidated statement of financial position	**1,349,986**	**1,013,476**
Statutory reserves at the Central Bank	(528,265)	(434,977)
Blocked deposits with banks and other financial institutions	(61,179)	(9,808)
Interest accruals on cash and cash equivalents	-	-
Cash and cash equivalents in the consolidated statement of cash flows	**760,542**	**568,691**

As at 31 December 2013, deposits with banks amounted to 61,179 (31 December 2012: TL 9,808) are blocked at financial institutions for the interest rate swaps and credit default swaps entered into by the Group.

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5. Cash and cash equivalents (continued)

As at 31 December 2013 and 2012, details of cash and cash equivalents are as follows:

	31 December 2013				31 December 2012			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Balances with the Central Bank	202,565	596,180	-	-	123,531	492,316	-	-
Deposits with banks and other financial institutions	5,267	335,569	8	0.03 - 0.45	23,907	248,180	5.25	0.07-0.50
Receivables from reverse repurchase agreements	150,032	-	7.74	-	80,014	-	6.2-6.5	-
Total	**357,864**	**931,749**			**227,452**	**740,496**		

6.Financial assets at fair value through profit or loss

	31 December 2013		31 December 2012	
Debt instruments	Carrying value	Effective Interest Rate (%)	Carrying value	Effective Interest Rate (%)
Eurobonds issued by the Turkish Government	532	2.55 – 6.94	64	3.80-4.48
Government bonds in TL	74,410	7.98 – 10.19	131,011	6.16-13.68
Equity securities	11,528	-	1,959	-
Other	53,285	15.98	20,446	15.98
Total financial assets at fair value through profit or loss	**139,755**		**153,480**	

Debt instrument is given as collateral under repurchase agreements:

	31 December 2013	31 December 2012
Deposited at financial institutions for repurchase transactions	79,684	37,827

As at 31 December 2013, the carrying and the nominal values of government securities kept at Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Takasbank - Istanbul Stock Exchange Clearing and Custody Incorporation) and in Capital Markets Board of Turkey for legal requirements and as a guarantee for stock exchange and money market operations are amounting to TL 4,569 (31 December 2012: TL 61).

7.Derivative financial assets / liabilities held for trading purpose

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments of the Group mainly include foreign currency forwards, cross currency interest rate swaps, foreign currency options, and credit default swaps.

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7.Derivative financial assets / liabilities held for trading purpose (continued)

The table below shows the favourable (assets) and unfavourable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date and option pricing models. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

	31 December 2013								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Derivatives financial instruments held for trading purpose:									
Forward purchase contract	5,350	3,340	909,870	876,429	19,509	13,644	288	-	-
Forward sale contract	-	-	876,256	842,897	19,477	13,595	287	-	-
Currency swap purchase	70,320	29,896	2,870,692	2,129,231	45,483	161,392	459,226	75,360	-
Currency swap sale	-	-	2,864,760	2,132,844	43,923	158,572	455,932	73,489	-
Credit default swap sale	-	-	-	-	-	-	-	-	-
Interest rate swap purchase	-	-	-	-	-	-	-	-	-
Interest rate swap sale	-	-	-	-	-	-	-	-	-
Put option purchase	-	384	333,186	169,691	108,919	11,221	43,355	-	-
Put option sale	-	-	337,239	173,360	108,919	11,221	43,739	-	-
Total	**75,670**	**33,620**	**8,192,003**	**6,324,452**	**346,230**	**369,645**	**1,002,827**	**148,849**	**-**

	31 December 2012								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Derivatives financial instruments held for trading purpose:									
Forward purchase contract	63	-	348,872	340,973	5,189	1,374	1,336	-	-
Forward sale contract	-	172	340,832	332,944	5,183	1,372	1,333	-	-
Currency swap purchase	18,077	-	1,352,797	1,052,086	53,939	100,645	65,425	80,702	-
Currency swap sale	-	6,453	1,351,106	1,050,817	53,550	97,836	65,347	83,556	-
Credit default swap sale	-	-	-	-	-	-	-	-	-
Interest rate swap purchase	-	-	3,484	-	-	3,484	-	-	-
Interest rate swap sale	-	-	3,484	-	-	3,484	-	-	-
Put option purchase	89	-	654,301	474,560	92,384	83,529	3,828	-	-
Put option sale	-	-	661,412	481,671	92,384	83,529	3,828	-	-
Total	**18,229**	**6,625**	**4,716,288**	**3,733,051**	**302,629**	**375,253**	**141,097**	**164,258**	**-**

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

8. Investment securities

As at 31 December 2013 and 2012, investment securities classified as held-to maturity comprised of the following:

	31 December 2013		31 December 2012	
	Amount	Effective Interest Rate (%)	Amount	Effective Interest Rate (%)
Debt instruments:				
Turkish government bonds	-	-	-	-
Eurobonds issued by the Turkish Government	688,800	4.90 – 7.69	689,031	6.69-7.41
Foreign currency denominated bonds	67,141	0.73 – 4.78	11,649	0.87-5.94
Total available for sale securities	**755,941**		**700,680**	
Debt instruments:				
Turkish government bonds	11,123	16.47	9,003	14.99
Eurobonds issued by the Turkish Government	-	0.93 – 4.00	-	-
Foreign currency denominated bonds	206,539		166,195	1.24-5.00
Total held to maturity securities	**217,662**		**175,198**	

Carrying value of held-to-maturity debt securities given as collateral under repurchase agreements and for other banking transactions under the normal course of the banking operations are as follows:

	31 December 2013	31 December 2012
Deposited at financial institutions for repurchase transactions	125,697	71,557
Other collaterals	82,447	65,585
Total	**208,144**	**137,142**

	31 December 2013	31 December 2012
Balances at beginning of period	**175,198**	**652,700**
Foreign currency differences on monetary assets	25,588	(28,087)
Purchases during the period	21,120	127,388
Disposals through sales and redemptions[1]	(4,481)	(64,574)
Allowance for impairment[2]	-	(7,223)
Changes in amortised cost[3]	4,073	(5,411)
Transfer to available for sale portfolio[4]	(3,837)	(499,595)
Balances at end of period	**217,661**	**175,198**

[1] Anadolubank N.V., subsidiary of the Group, disposed securities amounting to 28,750,000 EUR from the held-to-maturity portfolio in order to increase its capital adequacy ratio due to the changes in the local regulations in 2010. The Group will be able to continue its investment securities to classify as "held-to-maturity", since this disposal is a mandatory action due to the change in the local regulation, which is an exception in IAS 39, mentioning that "if an entity sells a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated".
[2] Due to the economic situation in Greece worsened and based on the international discussions on this issue, it has been decided to provide permanent provision for impairment of the 50% of the notional values of the Greek bonds in the Anadolubank N.V. portfolio.
[3] Changes in amortised cost include accrual interest on securities.
[4] As per the legislation on capital adequacy (Basel II) effective from 1 July 2012, the risk weighting of securities in foreign currencies issued by the Turkish Treasury increased from 0% to 100%. Accordingly, in the current period, the Bank transferred for the purpose of selling a part of its Eurobonds with a total face value of USD 238,000,000 from its held-to-maturity portfolio as per the exception granted by IAS 39 for the sale of securities originally classified under the securities held-to-maturity in cases where the capital requirement increases due to legal legislation.

As at 31 December 2013, carrying values of underlying financial assets classified as held-to-maturity investments collateralized against repurchase agreements were amounted to TL 125,697 (31 December 2012: TL 71,557).

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8. Investment securities (continued)

As at 31 December 2013, the carrying and the nominal values of the securities issued by the Turkish Government kept at the Central Bank of Turkey, Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Takasbank – Istanbul Stock Exchange Clearing and Custody Incorporation) and Vadeli İşlem ve Opsiyon Borsası Anonim Şirketi (Derivatives Exchange) for legal requirements and as a guarantee for stock exchange and money market operations are amounted to TL 8,907 and TL 7,300 (31 December 2012: TL 9,003 and TL 7,300); respectively.

As at 31 December 2013, carrying values and nominal values of held to maturity securities kept at De Nederlansche Bank (Dutch Central Bank) as reserve requirement against the Group's foreign operations in the Netherlands are amounted to TL 70,999 and TL 72,318 (31 December 2012: TL 56,581 and TL 56,882); respectively.

9. Loans and receivables

31 December 2013	Amount				Effective Interest Rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC Indexed
Corporate loans	3,727,154	1,176,379	463,412	**5,366,945**	7.20-37.02	1.91-8.05	3.15-10.50
Consumer loans	500,633	1,087	52,040	**553,760**	2.64-30.60	3.60-6.00	3.60-11.88
Credit cards	128,312	185	-	**128,497**	24.24	-	-
Factoring receivables	152,917	-	-	**152,917**	7.18-32.50	-	-
Total performing loans	**4,509,016**	**1,177,651**	**515,452**	**6,202,119**			
Non-performing loans	-	-	-	**177,860**	-	-	-
Allowance for:	-	-	-	**-**	-	-	-
Individually impaired loans	-	-	-	**(116,127)**	-	-	-
Collectively impaired loans	-	-	-	**(66,161)**	-	-	-
Loans and receivables, net	**-**	**-**	**-**	**6,197,691**	**-**	**-**	**-**

31 December 2012	Amount				Effective Interest Rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC Indexed
Corporate loans	3,200,804	847,032	134,638	4,182,474	6.10-35.75	1.76-10.90	4.00-10.00
Consumer loans	576,252	-	76,140	652,392	4.32-30.60	-	4.08-11.88
Credit cards	108,130	58	-	108,188	28.08	-	-
Factoring receivables	115,464	-	-	115,464	6.10-35.53	-	-
Total performing loans	**4,000,650**	**847,090**	**210,778**	**5,058,518**			
Non-performing loans	-	-	-	177,055	-	-	-
Allowance for:	-	-	-		-	-	-
Individually impaired loans	-	-	-	(124,366)	-	-	-
Collectively impaired loans	-	-	-	(52,689)	-	-	-
Loans and receivables, net	**-**	**-**	**-**	**5,058,518**	**-**	**-**	**-**

The specific allowance for possible loan losses is comprised of amounts for specifically identified as being impaired and non-performing loans and advances plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

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9. Loans and receivables (continued)

Movements in the reserve for possible loan losses:

	31 December 2013	31 December 2012
Reserve at beginning of the period/year	177,055	90,851
Foreign currency differences on monetary assets	5,973	-
Provision for possible loan losses	75,324	93,481
Recoveries	(19,571)	(7,277)
Provision, net of recoveries	**55,753**	**86,204**
Loans written off during the period/year	(56,493)	-
Reserve at end of the period/year	**182,288**	**177,055**

10. Factoring receivables

As at 31 December 2013 and 2012short-term and long-term factoring receivables included in the loans and receivables above are as follows:

	31 December 2013	31 December 2012
Short-term	147,686	112,760
Long-term	5,231	2,704
Total	**152,917**	**115,464**

11. Property and equipment

Movements of tangible assets as at and for the year ended 31 December 2013 and 2012 are as follows:

	Buildings	Motor vehicles	Furniture, office equipment and leasehold improvements	Total
Cost				
Opening balance, 1 January 2012	3,799	7,949	68,794	80,542
Additions	-	788	10,566	11,354
Disposals	-	(75)	(833)	(908)
Closing balance, 31 December 2012	**3,799**	**8,662**	**78,527**	**90,988**
Opening balance, 1 January 2013	3,799	8,662	78,527	90,988
Additions	-	17	10,349	10,366
Disposals	-	(727)	(46)	(773)
Closing balance, 31 December 2013	**3,799**	**7,952**	**88,830**	**100,581**
Accumulated Depreciation:				
Opening balance, 1 January 2012	1,084	4,195	56,353	61,632
Additions	76	1,414	4,032	5,522
Disposals	-	(57)	(203)	(260)
Closing balance, 31 December 2012	**1,160**	**5,552**	**60,182**	**66,894**
Opening balance, 1 January 2013	1,160	5,552	60,182	66,894
Additions	76	1,060	6,296	7,432
Disposals	-	(663)	(11)	(674)
Closing balance, 31 Aralık 2013	**1,236**	**5,949**	**66,467**	**73,652**
Net book value				
1 January 2012	2,715	3,754	12,441	18,910
31 December 2012	2,639	3,110	18,345	24,094
31 December 2013	2,563	2,003	22,363	26,929

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12. Intangible assets

Movements of intangible assets as at and for the year ended 31 December 2013 and 2012 are as follows:

	Software	Other intangibles	Total
Cost			
Opening balance, 1 January 2012	13,003	1,356	14,359
Additions	1,661	-	1,661
Disposals	-	-	-
Closing balance, 31 December 2012	**14,664**	**1,356**	**16,020**
Opening balance, 1 January 2013	14,664	1,356	16,020
Additions	800	-	800
Disposals	-	(138)	(138)
Closing balance, 31 December 2013	**15,464**	**1,218**	**16,682**
Accumulated Depreciation:			
Opening balance, 1 January 2012	11,074	1,396	12,470
Additions	644	-	644
Disposals	-	-	-
Closing balance, 31 December 2012	**11,718**	**1,396**	**13,114**
Opening balance, 1 January 2013	11,718	1,396	13,114
Additions	933	-	933
Disposals	-	-	-
Closing balance, 31 December 2013	**12,651**	**1,396**	**14,047**
Net book value			
1 January 2012	1,929	(40)	1,889
31 December 2012	2,946	(40)	2,906
31 December 2013	2,813	(178)	2,635

13. Other assets

	31 December 2013	31 December 2012
Transfer cheques	106,522	148,955
Credit card payments	49,052	9,595
Collateral for leveraged operations[1]	47,248	21,542
Assets held for resale	8,208	6,166
Collateral for derivatives	4,443	10,466
Prepaid tax	4,217	-
Advances given	3,984	1,639
Prepaid expenses	2,262	5,450
Other	12,254	8,054
Total	**238,190**	**211,867**

As at 31 December 2013 TL 8,208 (31 December 2012: TL 6,166) of the other assets is comprised of foreclosed real estates acquired by the Bank against its impaired receivables.

[1] Collateral for leveraged operations are composed of the given colleterals for transactions, which take place through Anadolu Yatırım A.Ş.

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14. Deposits

Deposits from banks

	31 December 2013				31 December 2012			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Demand	316	58,482	-	-	12	96	-	-
Time	39,040	225,690	8.00-9.00	0.42-2.25	22,166	186,835	7.50-8.25	0.59-2.45
Total	**39,356**	**284,172**			**22,178**	**186,931**		

Deposits from customers

	31 December 2013				31 December 2012			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Saving:								
Demand	50,388	431,300	-	-	35,795	368,332	-	-
Time	2,311,031	782,556	4.25-10.25	0.25-4.00	1,733,107	743,502	5.00-11.25	0.25-4.50
	2,361,419	**1,213,856**			**1,768,902**	**1,111,834**		
Commercial and other deposits:								
Demand	226,285	94,935	-	-	222,626	52,777	-	-
Time	839,114	868,608	4.00-10.00	0.25-4.25	666,732	671,015	3.00-11.00	0.25-5.25
	1,065,399	**963,543**			**889,358**	**723,792**		
Total	**3,426,818**	**2,177,399**			**2,658,260**	**1,835,626**		

Other money market deposits

	31 December 2013				31 December 2012			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Obligations under repurchase agreements:								
Due to banks	65,219	746,621	4.08-7.02	0.29-1.60	36,308	556,502	4.66-5.25	0.50-1.77
Total	**65,219**	**746,621**			**36,308**	**556,502**		

As at 31 December 2013, carrying values of underlying financial assets at fair value through profit or loss collateralized against repurchase agreements are amounted to 79,684 TL (31 December 2012: TL 37,827), carrying values of underlying financial assets classified as held-to-maturity investments collateralized against repurchase agreements are amounted to TL 125,697 (31 December 2012: TL 71,557) and carrying values of underlying financial assets classified as available-for-sale investments collateralized against repurchase agreements are amounted to TL 712,060 (31 December 2011: 649,441).

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15. Funds borrowed

	31 December 2013				31 December 2012			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Short-term(*)	120,708	487,434	4.75-10.50	1.32-3.62	77,111	252,099	5.75-8.75	1.72-3.98
Medium/long term(*)	5,176	55,114	5.00-9.25	1.00-3.40	1,497	38,139	7.75-9.25	0.99-4.01
Total	**125,884**	**542,548**			**78,608**	**290,238**		

(*) Borrowings are presented considering their original maturities.

Repayment plans of medium/long term borrowings are as follows:

	31 December 2013	31 December 2012
2013	-	334,294
2014	622,817	1,440
2015	45,615	33,112
Total	**668,432**	**368,846**

16. Other liabilities and provisions

	31 December 2013	31 December 2012
Transfer orders	147,517	209,816
Collections from guarantee cheques	53,063	47,378
Other various provisions	27,402	17,359
Payables due from credit cards	29,683	31,374
Taxes other than on income	15,535	13,516
Reserve for employee severance indemnity and unused vacation accruals	12,075	12,006
Factoring payables	177	238
Collateral for leveraged operations	47,355	21,618
Other	17,406	21,593
Total	**350,213**	**374,898**

The movement of employee severance indemnity is as follows:

	31 December 2013	31 December 2012
Net liability at January 1	4,963	2,608
Benefit paid directly	(2,323)	(2,813)
Total expense recognized in the income statement	2,554	5,168
Total	**5,194**	**4,963**

As at 31 December 2013 and 2012 actuarial gains and losses classified profit and loss accounts, instead of equity due to immateriality balance.

The movement of unused vacation accruals is as follows:

	31 December 2013	31 December 2012
Total provision at the beginning of the year	7,043	5,858
Paid during the year	(952)	(380)
Total expense recognized in the income statement	790	1,565
Total	**6,881**	**7,043**

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17. Income taxes payable

Major components of income tax expense:

	31 December 2013	31 December 2012
Current income taxes:		
Current income tax charge	(26,473)	(37,658)
Deferred taxes:		
Relating to origination and reversal of temporary differences	(1,346)	(3,819)
Income tax expense	**(27,819)**	**(41,477)**

The current income tax charges and prepaid taxes are detailed below:

	31 December 2013	31 December 2012
Current income tax charge	26,473	37,658
Advance taxes	(26,156)	(29,915)
Income taxes payable	**317**	**7,743**

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

As at 31 December 2013 and 2012, deferred tax assets and liabilities are as follows:

	31 December 2012 Deferred tax Assets/(Liabilities)		31 December 2011 Deferred tax Assets/(Liabilities)	
Deferred taxes:	Asset	Liability	Asset	Liability
Valuation difference of derivative financial instruments	-	(6,250)	-	(1,717)
Differences in the measurement of the debt securities	-	(2,904)	-	(3,194)
Personnel bonuses	2,368	-	1,995	-
Reserve for employee severance indemnity and liability for unused vacation	2,324	-	2,367	-
Property and equipment and intangibles			2	-
Transfer from AFS portfolio	12,410	-	-	(37,598)
Specific provision expenses	4,525	-	3,746	-
Other	1,838	(446)	828	(311)
Total deferred tax assets/(liabilities)	**23,465**	**(9,600)**	**8,938**	**(42,820)**
Offsetting	(9,600)	9,600	(8,938)	8,938
Deferred tax assets/(liabilities)	**13,865**	**-**	**-**	**(33,882)**

	31 December 2013	31 December 2012
Deferred tax asset / (liability) at January 1	(33,882)	9,826
Deferred tax recognized in income statement	(1,346)	(3,819)
Deferred tax recognized in equity	50,008	(38,272)
Foreign currency difference	717	(682)
Prior period corporate tax that was paid in the current period	(1,632)	(935)
Deferred tax asset / (liability) at December 31	**13,865**	**(33,882)**

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17. Income taxes payable (continued)

The Group has offset the deferred tax assets and deferred tax liabilities on an entity by entity basis based on the legally enforceable right to set off the recognized amounts such as offsetting current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	31 December 2013	31 December 2012
Deferred tax asset	13,865	3,865
Deferred tax liability	-	(37,747)
Total	**13,865**	**(33,882)**

A reconciliation of income tax expense applicable to profit from operating activities before income taxes at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2013 and 2012 were as follows:

	31 December 2013	31 December 2012
Net profit from ordinary activities before income taxes and non-controlling interest	**137,948**	**217,250**
Taxes on income per statutory tax rate	27,590	43,450
Disallowable expenses	1,988	2,002
Effect of income not subject to tax	(958)	(3,975)
Other	(801)	-
Income tax expense	**27,819**	**41,477**

18. Equity

Share capital

	31 December 2013	31 December 2012
Number of common shares, TL 0.01 (in full TL), par value Authorized, issued and outstanding 60,000 millions;	600,000	600,000

As at 31 December 2013and 2012, the authorized nominal share capital of the Bank amounted to TL 600,000 thousands.

As at 31 December 2013and 2012, the composition of shareholders and their respective percentage of ownership can be summarized as follows:

	31 December 2013		31 December 2012	
	Amount	%	Amount	%
Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ	419,867	69.98	419,823	69.98
Mehmet Rüştü Başaran	163,895	27.32	163,895	27.32
Other shareholders	16,238	2.70	16,282	2.70
Nominal value	**600,000**	**100.00**	**600,000**	**100.00**
Restatement effect per IAS 29	2,619		2,619	
Total	**602,619**		**602,619**	

Other reserves

Other reserves consist of the legal reserves which are amounted to TL 42,936 and gain on sales of assets which are amounted to TL 60 (31 December 2012: TL 34,123 and TL 60; respectively).

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.

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18. Equity (continued)

Non-controlling interests

As at 31 December 2013 net non-controlling interest amounts to TL 2,141 (31 December 2012: TL 2,149).

During 2006, the Bank has reclassified the securities from available-for-sale financial assets to held-to-maturity investment securities in accordance with the decision of Board of Directors. The loss of TL 12,931 net off deferred taxes at the transfer date that has been recognized directly in equity is amortized under profit or loss over the remaining life of the transferred securities using the effective interest method.

As per the legislation on capital adequacy (Basel II) effective from 1 July 2012, the risk weighting of securities in foreign currencies issued by the Turkish Treasury increased from 0% to 100%. Accordingly, in the current period, the Bank transferred, for the purpose of selling, a part of its Eurobonds with a total face value of USD 238,000,000 from its held-to-maturity portfolio as per the exception granted by IAS 39 for the sale/transfer of securities originally classified under the securities held-to-maturity in cases where the capital requirement increases due to legal legislation. As at 31 December 2013, such gains/(losses) recognized under equity, after deduction of related tax effect, amounted to TL (49,404) (31 December 2012: 150,397).

19. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group is controlled by Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ which owns 69.98% (31 December 2012: 69.98%) of ordinary shares, and included in Habaş Group of companies. For the purpose of these consolidated financial statements, shareholders and Habaş Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Group's Board of Directors and their families. In the course of conducting its banking business, the Group conducted various business transactions with related parties on commercial terms.

The following significant balances exist and transactions have been entered into with related parties:

Outstanding balances

	31 December 2013	31 December 2012
Cash loans	18,742	9,951
Non-cash loans	95,382	103,497
Deposits taken	105,496	102,021

Transactions

	31 December 2013	31 December 2012
Interest income	1,369	2,818
Interest expense	1,005	1,421
Other operating income	834	1,051

Directors' Remuneration

As at and for the year ended 31 December 2013, the key management and the members of the Board of Directors received remuneration and fees amounted to TL 13,343 (31 December 2012: TL 12,426).

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20. Interest income / expenses

	1 January-31 December 2013	1 January-31 December 2012
Interest on loans and receivables	604,797	698,209
Interest on marketable securities	67,022	112,067
Financial assets at FVTPL	*15,121*	*76,834*
Available for sale investments	*42,688*	*6,761*
Held to maturity	*9,213*	*28,472*
Interest on deposits with banks and other financial institutions	472	1,521
Interest on other money market placements	10,662	7,278
Other interest income	5,007	4,078
Total interest income	**687,960**	**823,153**

	1 January-31 December 2013	1 January-31 December 2012
Interest on deposits	268,286	304,968
Interest on funds borrowed	14,728	14,084
Interest on other money market deposits	13,885	58,433
Other interest expenses	406	102
Total interest expenses	**297,305**	**377,587**

21. Fee and commission income / expenses

	1 January-31 December 2013	1 January-31 December 2012
From non cash loans	11,855	12,824
Other	60,337	57,567
From cash loans	*14,832*	*14,829*
From individual loan application	*140*	*530*
From fund commissions	*1,064*	*1,376*
Other	*44,301*	*40,832*
Fee and commission income	**72,192**	**70,391**

	1 January-31 December 2013	1 January-31 December 2012
ATM commissions	1,378	1,715
Credit card commissions	8,051	8,776
Non-cash loan commissions	48	92
Other	4,634	3,528
Fee and commission expenses	**14,111**	**14,111**

22. Other operating income / expenses

	1 January-31 December 2013	1 January-31 December 2012
Trading income from marketable securities	68,771	29,203
Trading gains from derivatives	80,752	51,393
Other income	11,099	10,185
Other operating income	**160,622**	**90,781**

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22. Other operating income / expenses (continued)

Other operating expenses

	1 January- 31 December 2013	1 January- 31 December 2012
Salaries and employee benefits (Note:24)	184,849	159,626
Foreign exchange losses, net	138,389	57,403
Provision for possible loan losses, net of recoveries	56,327	86,204
Depreciation and amortization	8,520	6,916
Taxes other than on income	14,596	11,528
Other expenses (Note:25)	68,729	53,700
Other operating expenses	**471,410**	**375,377**

23. Salaries and employee benefits

	1 January- 31 December 2013	1 January- 31 December 2012
Staff costs:		
Wages and salaries	132,117	110,346
Cost of defined contribution plan (employer's share of social security premiums)	19,407	15,855
Other fringe benefits	33,325	29,833
Provision for employee termination benefits and unused vacation accruals	-	3,592
Total	**184,849**	**159,626**

The average number of employees during the year is:

	31 December 2013	31 December 2012
The Bank	2,111	2,024
Subsidiaries	108	92
Total	**2,219**	**2,116**

24. Other expenses

	1 January- 31 December 2013	1 January- 31 December 2012
Operating lease charges	20,001	16,466
Communication expenses	7,034	5,974
Saving deposit insurance fund premium	3,943	2,086
Transportation expenses	4,845	4,275
Maintenance expenses	2,059	1,838
Other provisions	1,160	308
Hosting cost	2,970	2,492
Energy costs	3,162	2,770
Cleaning service expenses	3,483	2,629
Advertising expenses	817	734
Office supplies	1,619	1,309
POS service expenses	513	526
Expertise expenses	2,304	1,718
Chartered accountants	525	652
BRSA participation fee	867	685
Credit card service expenses	1,089	477
Other	12,338	8,761
Total	**68,729**	**53,700**

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25. Commitments and contingencies litigations

In the normal course of business activities, the Bank and its subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the consolidated financial statements including:

The Bank

	1 January- 31 December 2013	1 January- 31 December 2012
Letters of guarantee	1,438,485	1,180,978
Letters of credit	250,204	294,490
Acceptance credits	5,890	8,549
Other guarantees	123,838	164,582
Total non-cash loans	**1,818,417**	**1,648,599**
Credit card limit commitments	275,547	243,429
Other commitments	453,797	350,745
Total	**2,547,761**	**2,242,773**

A lawsuit was filed against the Bank by a correspondent bank during the previous reporting periods claiming the collection of US Dollar 14,750,000 plus of any accrued interest thereon since the legal proceedings were instituted. The Bank's lawyers have advised that they do not consider that the suit has merit and they have contested it. No provision has been made in the financial statements as the Group's management does not consider that there would be any probable loss.

USD Dollar 14,750,000 that was transferred to the account of a customer of the Bank by Citibank N.A. was paid to the related company by the Bank. Citibank N.A. claimed this transfer back, however since the money was paid to the related company and could not be returned, a lawsuit was filed against the Bank. The insurance companies, those paid USD Dollar 11,500,000 of the total amount as the indemnity, were accepted to the case by the court as being intervening party. For the remaining part of the amount (USD Dollar 3,250,000) was prosecuted by Citibank N.A. at the same lawsuit. As of balance sheet date, the court has rejected the demand of 3,250,000 Dollars with Citibank N.A. and 11,500,000 Dollars with the insurance companies, which are involved in the dispute as a result of the hearing on 20 December 2011.

26. Financial risk management

(a) Introduction and overview

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group has exposure to the following risks from its use of financial instruments:

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the auditing committee. Consequently, the Risk Management Department, which carries out the risk management activities and works independently from executive activities, report directly to the Board of Directors.

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 Group, 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.

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26. Financial risk management (continued)

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. They are effectively managed and assessed in a continuously growing manner. At the same time, studies for compliance with the international banking applications, such as Basel II, are carried out.

In order to ensure the compliance with the rules altered pursuant to the Articles 23, 29 to 31 of the Banking Law No. 5411 and the Articles 36 to 42 of Regulation on Internal Systems within the Banks, dated 1 November 2006, the Bank revised the current written policies and implementation procedures regarding management of each risk encountered in its activities in February 2007.

Auditing Committee: The Auditing Committee consists of two members of the Board of Directors who do not have any executive functions. The Auditing Committee, established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

• The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Bank, functioning of these systems as well as accounting and reporting systems within the framework of related procedures, and the integrity of information generated;

• The preliminary assessment on the selection process of independent audit firms and the systematic monitoring of the activities of these companies;

• The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

(b) Credit risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk is defined as the probability of loss if the customer or counterparty fails to meet its obligations partially or completely on the terms set. Credit risk is considered in depth covering the counterparty risks arising from not only from future or option contracts but also credit risks originating from the transactions in Banking Law.

Exposure to credit risk

	Loans and advances to customers		Other assets	
	2013	2012	2013	2012
Impaired	176,747	175,939	1,113	1,116
Allowance for impairment	176,747	175,939	1,113	1,116
Carrying amount	-	-	-	-
Past due but not impaired	237,511	190,110		-
Carrying amount	**237,511**	**190,110**		
Neither past due nor impaired	5,964,608	4,868,408		-
Loans with renegotiated terms	-	-	-	-
Carrying amount	**5,964,608**	**4,868,408**		-
Total carrying amount	**6,202,119**	**5,058,518**	-	-

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26. Financial risk management (continued)

(b) Credit risk (continued)

Impaired loans and receivables

Impaired loans and receivables are loans and receivables for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These loans are graded 3 to 5 in the Group's internal credit risk grading system.

Past due but not impaired loans

Loans and receivables where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to temporary deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / 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 and the completion of the legal procedure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

Collateral policy

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2013 or 2012.

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

Cash loans	31 December 2013	31 December 2012
Secured loans:		
Secured by cash collateral	71,415	61,318
Secured by mortgages	921,269	954,253
Secured by government institutions or government securities	-	330
Guarantees issued by financial institutions	26,436	489,720
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	3,288,709	2,691,219
Unsecured loans	1,894,290	861,678
Total performing loans and receivables	**6,202,119**	**5,058,518**

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26. Financial risk management (continued)

(b) Credit risk (continued)

Non-cash loans	31 December 2013	31 December 2012
Secured loans:		
Secured by mortgages	36,337	36,991
Guarantees issued by financial institutions	59,157	44,478
Secured by cash collateral	311	266
Secured by government institutions or government securities	359	33
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	1,105,157	1,064,026
Unsecured loans	617,096	502,805
Total non-cash loans	**1,818,417**	**1,648,599**

An estimate of the fair value of collaterals held against non-performing loans and receivables is as follows:

	31 December 2013	31 December 2012
Mortgages	25,375	26,056
Pledge on automobile	2,669	3,340
Corporate and personal guarantees	18,935	20,998
Total	**46,979**	**50,394**

Sectoral and geographical concentration of impaired loans

The Bank and its subsidiaries monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of non-performing loans is shown below:

	31 December 2013	31 December 2012
Construction	15,198	11,793
Food	15,441	13,799
Textile	3,627	9,505
Service sector	4,845	5,970
Durable consumption	4,350	1,400
Metal and metal products	36,743	38,759
Consumer loans	39,442	38,321
Agriculture and stockbreeding	4,834	2,921
Others	53,380	54,587
Total non-performing loans and receivables	**177,860**	**177,055**

	31 December 2013	31 December 2012
Turkey	177,721	176,916
United States of America	139	139
Total non-performing loans and receivables	**177,860**	**177,055**

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26. Financial risk management (continued)

	31 December 2013				31 December 2012			
	Cash	Cash (%)	Non-cash	Non-cash (%)	Cash	Cash (%)	Non-cash	Non-cash(%)
Agriculture	**381,590**	**6.16**	**28,786**	**1.58**	**312,289**	**6.17**	**25,984**	**1.58**
Farming and stockbreeding	357,928	5.78	24,922	1.37	288,056	5.69	22,816	1.38
Forestry	18,271	0.29	3,807	0.21	18,121	0.36	3,078	0.19
Fishing	5,391	0.09	57	0.00	6,112	0.12	90	0.01
Industry	**2,100,454**	**33.89**	**639,473**	**35.17**	**1,624,467**	**32.11**	**539,084**	**32.70**
Mining and quarrying	54,046	0.87	16,471	0.91	44,607	0.88	5,036	0.31
Manufacturing	2,017,661	32.56	617,883	33.98	1,553,918	30.72	516,728	31.34
Electricity, gas, water	28,747	0.46	5,119	0.28	25,942	0.51	17.320	1.05
Construction	**525,322**	**8.48**	**340,417**	**18.72**	**462,932**	**9.15**	**349,097**	**21.18**
Services	**2,387,022**	**38.52**	**802,126**	**44.11**	**1,814,750**	**35.88**	**717,948**	**43.55**
Wholesales and retail trade	1,222,346	19.73	276,850	15.22	801,594	15.85	286,693	17.39
Hotel and restaurant services	43,585	0.70	11,703	0.64	35,248	0.70	5,901	0.35
Transportation and communication	158,804	2.56	37,527	2.06	151,377	2.99	58,843	3.57
Financial institution	722,856	11.67	368,210	20.25	630,658	12.46	279,815	16.97
Real estate and rent services	22,560	0.36	257	0.01	6,919	0.14	251	0.02
Professional services	118,461	1.91	65,575	3.61	113,669	2.25	58,786	3.57
Educational services	8,379	0.14	3,531	0.19	7,691	0.15	2,787	0.17
Health and social services	90,031	1.45	38,473	2.12	67,594	1.34	24,872	1.51
Consumer loans	**553,760**	**8.93**	-	-	**652,392**	**12.90**	-	-
Credit card	**128,497**	**2.07**	-	-	**108,188**	**2.14**	-	-
Others	**121,046**	**1.95**	**7,615**	**0.42**	**83,500**	**1.65**	**16,486**	**1.00**
Total	**6,197,691**	**100.00**	**1,818,417**	**100.00**	**5,058,518**	**100.00**	**1,648,599**	**100.00**

(c) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable.

Management of liquidity risk

The Bank management is very conservative on maintaining an acceptable level of immediately available funds on hand both in TL as well as in foreign currencies. The level that the Bank management feels comfortable is around 10% of the assets size. The Treasury department is responsible for keeping either cash on hand or liquid assets that could be exchanged into cash immediately by making use of instruments in financial markets in consideration of cash outflows within next two weeks.

To mitigate the liquidity risk, the Group diversifies funding sources and assets are managed with liquidity in mind, maintaining balance of cash and cash equivalents.

Within the risk management framework, the Treasury Department manages the liquidity position of the Bank and the liquidity ratios are monitored closely by the top management of the Bank. In order to manage the liquidity risk, Treasury Department receives information from other business departments and regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury Department maintains a portfolio of short-term liquid assets, short-term loans and placements to domestic and foreign banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

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26. Financial risk management (Continued)

The daily liquidity position is monitored by the Treasury Department prepared daily reports cover the liquidity position of both the Bank and its subsidiaries. All liquidity policies and procedures are subject to review and approval of ALCO.

Exposure to liquidity risk

The calculation method used to measure the banks compliance with the liquidity limit is set by the BRSA. In November 2006, the BRSA issued a new communiqué on the measurement of liquidity adequacy of the banks. This new legislation requires the banks to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/ liabilities based on arithmetic average computations on a weekly and monthly basis effective from 1 June 2007.

Residual contractual maturities of monetary liabilities

31 December 2013	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Deposits from banks	323,528	335,357	44,150	72,569	127,173	91,465	-	-
Deposits from customers	5,604,217	6,084,596	804,046	224,750	3,577,400	528,139	547,670	402,591
Obligations under repurchase agreements	811,840	812973	-	65,238	104,605	635,230	7,900	-
Funds borrowed	668,432	674,968	-	91,498	14,672	506,666	62,132	-
Total	**7,408,017**	**7,907,894**	**848,196**	**454,055**	**3,823,850**	**1,761,500**	**617,702**	**402,591**

31 December 2012	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Deposits from banks	209,109	209,646	108	7,984	123,678	77,876	-	-
Deposits from customers	4,493,886	4,544,617	679,530	140,546	2,973,887	335,974	283,618	131,062
Obligations under repurchase agreements	592,810	593,345	-	43,789	8,342	541,214	-	-
Funds borrowed	369,084	372,454	-	60,341	82,525	146,373	83,215	-
Total	**5,664,889**	**5,720,062**	**679,638**	**252,660**	**3,188,432**	**1,101,437**	**366,833**	**131,062**

The previous table shows the undiscounted cash flows on the Group's monetary liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis.

Non-cash loans

31 December 2013	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Non-cash loans	-	966,127	82,890	374,475	200,932	193,993	1,818,417

31 December 2012	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Non-cash loans	-	762,530	89,734	328,968	185,304	282,063	1,648,599

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26. Financial risk management (Continued)

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group'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 optimizing the return on risk.

Management of market risk

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury Department, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Exposure to market risk – trading portfolios

The market risk arising from trading portfolio is monitored, measured and reported using Standardised Approach according to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared using Standardised Approach are reported to BRSA.

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1-day holding period. The VaR model used is based mainly on Monte Carlo simulation. Taking account of market data from the previous 252 days, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios and stress tests for market price movements. The VaR model used is based on and Monte Carlo simulation with using with Nelson Siegel method for yield curve and GARCH method for volatility. The VaR analysis of the Bank are not reported outside and used only by the top management.

The consolidated value at market risk as of 31 December 2013 calculated as per the statutory consolidated financial statements prepared for the BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.28337 dated 28 June 2012 based on the Basel II requirements effective from 1 July 2012 is as follows:

	31 December 2013			31 December 2012		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rates risk	49,986	63,608	41,148	26,098	42,043	11,741
Common share risk	1,016	1,427	34	177	235	105
Currency risk	7,527	14,207	4,336	4,081	5,624	2,960
Option risk	3,476	4,952	2,944	1,463	5,852	-
Total value at risk (12.5 times)	**775,063**	**960,050**	**610,200**	**397,732**	**598,776**	**185,844**

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 in its day-to-day monitoring activities. A summary of the Group's interest rate gap position is as follows:

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

31 December 2013	Less than one month	1-3 months	3-12 months	1 -5 years	Over 5 year	Non-Interest	Carrying amount
Cash and balances with the Central Bank	-	-	-	-	-	859,118	859,118
Deposits with banks and other financial institutions	116,364	-	6,200	-	-	218,272	340,836
Financial assets at fair value through profit and loss	136,567	10,408	6,602	3,814	31,390	26,644	215,425
Receivables from reverse repurchase transactions	150,032	-	-	-	-	-	150,032
Available for sale investments	-	32,183	3,986	5,090	714,682	-	755,941
Loans and receivables	2,811,852	647,893	1,057,695	1,469,469	210,819	4,391	6,202,119
Investment securities	33,493	13,464	28,709	87,280	54,716	-	217,662
Other assets	-	62	-	-	244	281,313	281,619
Total assets	**3,248,308**	**704,010**	**1,103,192**	**1,565,653**	**1,011,851**	**1,389,738**	**9,022,752**
Deposits from banks	159,758	112,582	7,017	-	-	44,150	323,507
Deposits from customers	3,292,952	1,319,298	184,755	391,794	-	415,439	5,604,238
Obligations under repurchase agreements and interbank money market borrowings	386,839	254,702	152,083	18,216	-	-	811,840
Funds borrowed	123,313	106,659	393,017	45,620	-	-	668,609
Other liabilities, provisions and equity	28,669	520	5,071	-	-	1,580,298	1,614,558
Total liabilities	**3,991,531**	**1,793,761**	**741,943**	**455,630**	**-**	**2,039,887**	**9,022,752**
Net	**(743,223)**	**(1,089,751)**	**361,249**	**1,110,023**	**1,011,851**	**(650,149)**	**-**

31 December 2012	Less than one month	1-3 months	3-12 months	1 -5 years	Over 5 year	Non-Interest	Carrying amount
Cash and balances with the Central Bank	-	-	-	-	-	661,375	661,375
Deposits with banks and other financial institutions	250,254	244	-	-	-	21,589	272,087
Financial assets at fair value through profit and loss	14,256	103,425	121	31,489	22,136	282	171,709
Receivables from reverse repurchase transactions	80,014	-	-	-	-	-	80,014
Available for sale investments	-	11,648	-	-	689,032	-	700,680
Loans and receivables	1,930,389	578,217	1,309,347	961,573	278,347	645	5,058,518
Investment securities	2,348	27,897	65,890	13,808	65,255	-	175,198
Other assets	-	86	-	-	-	242,646	242,732
Total assets	**2,277,261**	**721,517**	**1,375,358**	**1,006,870**	**1,054,770**	**926,537**	**7,362,313**
Deposits from banks	157,798	49,054	2,149	-	-	108	209,109
Deposits from customers	2,735,309	955,590	254,218	200,306	5	348,458	4,493,886
Obligations under repurchase agreements and interbank money market borrowings	366,644	226,166	-	-	-	-	592,810
Funds borrowed	102,549	101,665	130,080	34,552	-	-	368,846
Other liabilities, provisions and equity	6,076	2,145	-	64	-	1,689,377	1,697,662
Total liabilities	**3,368,376**	**1,334,620**	**386,447**	**234,922**	**5**	**2,037,943**	**7,362,313**
Net	**(1,091,115)**	**(613,103)**	**988,911**	**771,948**	**1,054,765**	**(1,111,406)**	**-**

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26. Financial risk management (Continued)

(d) Market risk (Continued)

The following table indicates the effective interest rates by major currencies for the major components of the consolidated statement of financial position for 2013 and 2012:

31 December 2013	Euro %	US Dollar %	Japanese Yen %	TL %
Cash and balances with Central Bank	-	-	-	-
Loans and advances to banks	0.41	0.32	-	5.40
Financial assets at fair value through profit or loss	11.17	0.85	-	8.04
Money market placement	-	-	-	7.74
Available for sale investments	1.00	5.68	-	-
Loans and advances to customers	3.88	4.31	4.60	13.83
Investment securities	1.00	0.73	-	15.01
Deposits from banks	1.71	1.09	-	6.32
Deposits from customers	2.95	3.01	-	9.35
Obligations under repurchase agreements	0.00	1.04	-	4.47
Funds borrowed	1.73	1.49	-	7.14

31 December 2012	Euro %	US Dollar%	Japanese Yen %	TL %
Cash and balances with Central Bank	-	-	-	-
Loans and advances to banks	0.44	0.47	-	5,36
Loans and advances to customers	3.36	4.82	4.60	14.66
Investment securities	2.11	2.75	-	14.99
Deposits from banks	2.07	1.33	-	8.18
Deposits from customers	2.91	2.96	-	8.37
Obligations under repurchase agreements	0.43	0.56	-	4.75
Funds borrowed	2.32	2.81	-	7.72

Interest rate sensitivity of the trading and non-trading portfolios

Interest rate risk in the banking book is evaluated considering the repricing risk, yield curve risk, basis risk and optionality, measured in compliance with the international standards and managed by risk mitigation through limits and hedging.

The interest rate sensitivity of assets, liabilities and off balance-sheet items are evaluated at the weekly Asset-Liability Committee meetings considering also the market developments.

The measurement process of interest rate risk resulting from banking book is established and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book and to consider the relevant repricing and maturity data.

Duration gaps, gaps by maturity buckets and sensitivity analysis are used in monitoring of repricing risk resulting from maturity mismatch. The duration gap and sensitivity analysis are carried out every two weeks period.

In the duration gap analysis, the present values of interest-rate-sensitive asset and liability items are calculated using yield curves developed from market interest rates. In case of instruments with no maturities assigned, the maturity is determined as per interest rate fixing periods and customer behaviours. Such results are supported by sensitivity and scenario analysis applied periodically for possible instabilities in the markets.

The interest rate risk resulted from banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulted from the banking book.

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

26. Financial risk management (Continued)

(d) Market risk (Continued)

Interest rate sensitivity of the trading and non-trading portfolios (Cont'd)

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

As of 31 December 2013, the economic value differences resulted from interest rate instabilities calculated on a bank-only basis for the banking book according to the relevant legislation as per the standard shock method are as follows;

Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity-Losses/Equity
TL	(+) 500 bps	(106,990)	9.69%
TL	(-) 400 bps	199,750	18.09%
US$	(+) 200 bps	19,880	1.80%
US$	(-) 200 bps	(55,710)	5.04%
EUR	(+) 200 bps	9,960	0.90%
EUR	(-) 200 bps	(14,610)	1.32%
Total (of negative shocks)		**129,430**	**11.72%**
Total (of positive shocks)		**(77,150)**	**6.99%**

Currency risk

Currency risk arises when an entity's equity is under threat as a result of exchange rate fluctuations. Naturally, a bank doing business in multiple currencies would be exposed to currency risk unless these risks are properly hedged. Any sizeable transaction that would be causing currency risk is immediately hedged with a banking counterpart, or else smaller transactions are gathered until they form a sizeable amount for hedging.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in profit or loss except for foreign exchange gain/loss arising from the conversion of the net investments in subsidiaries in foreign countries into TL.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limit on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to foreign currency exchange rate risk at 31 December 2013, on the basis of the Group's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table.

As at 31 December 2013	USD	Euro	Other Currencies	Total
Assets:				
Cash and balances with the Central Bank	191,779	361,386	83,739	636,904
Deposits with banks and other financial institutions	225,701	95,596	14,272	335,569
Receivables from reverse repo transactions	-	-	-	-
Available for sale investments	34,318	717,568	-	751,886
Financial assets at fair value through profit or loss	43,009	10,808	-	53,817
Investment securities	161,992	44,547	-	206,539
Loans and receivables	547,925	1,082,330	62,848	1,693,103
Other assets	7,804	50,597	416	58,817
Total assets	**1,212,528**	**2,362,832**	**161,275**	**3,736,635**

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26. Financial risk management (Continued)

(d) Market risk (Continued)

Currency risk (Continued)

As at 31 December 2013	USD	Euro	Other Currencies	Total
Liabilities:				
Deposits from other banks	150,950	114,243	18,979	284,172
Deposits from customers	1,162,092	977,228	38,079	2,177,399
Other money market deposits	89,720	656,901	-	746,621
Funds borrowed	307,792	234,756	-	542,548
Other liabilities and provisions	7,969	52,502	103	60,574
Total liabilities	**1,718,523**	**2,035,630**	**57,161**	**3,811,314**
NetPosition on the consolidated statement of financial position	**(505,995)**	**327,202**	**104,114**	**(74,679)**
Off-balance sheet position:				
Net notional amount of derivatives	356,738	(264,431)	(72,260)	20,047
Net position	**(149,257)**	**62,771**	**31,854**	**(54,632)**

As at 31 December 2012	USD	Euro	Others	Total
Total assets	1,666,117	917,344	173,973	2,757,434
Total liabilities	1,667,679	1,191,127	31,684	2,890,490
Net Position on the consolidated statement of financial position	**(1,562)**	**(273,783)**	**75,289**	**(133,056)**
Off-balance sheet position:				
Net notional amount of derivatives	143,795	148,609	(126,915)	165,489
Net position	**142,233**	**(125,174)**	**(51,626)**	**32,433**

For the purposes of the evaluation of the table above, the figures represent the TL equivalent of the related hard currencies.

Exposure to currency risk sensitivity analysis

A 10 percent devaluation of the TL against the following currencies as at 31 December 2012 and 2011 would have increased/(decreased) equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2013		31 December 2012	
	Profit or loss	Equity(*)	Profit or loss	Equity(*)
US Dollar	12,365	6,277	14,223	15,392
EUR	(14,838)	(14,926)	(12,517)	650
Other currencies	3,185	3,185	1,537	1,537
Total, net	**712**	**(5,464)**	**3,243**	**17,579**

(*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

26. Financial risk management (Continued)

(d) Market risk (Continued)

Fair value information

The estimated fair values of financial instruments have been determined using available market information by the Bank, and where it exists, appropriate valuation methodologies. However, during financial crisis, judgment is necessary requirement to interpret market data to determine the estimated fair value.

Management has estimated that the fair value of certain financial assets and liabilities are not materially different than their recorded values except for those of loans and advances to customers and security investments. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements, deposits from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair values of held to maturity investment securities and loans and receivables are TL 236,436 and TL 6,185,455 (31 December 2012: TL 184,823 and TL 5,063,459), respectively, whereas the carrying amounts are TL 217,662 and TL 6,202,119 (31 December 2012: TL 175,198 and TL 5,058,518), respectively, in the accompanying consolidated statement of financial position as at 31 December 2013.

Fair values of held-to-maturity investments are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair value of long-term fixed interest rate loans are calculated by discounting cash flows with current market interest rates. For the loans with floating interest rate and short term loans with fixed interest rate, carrying value also represents fair value.

Classification of fair value measurement

IFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Bank. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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	31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Financial assets at fair value:	128,227	-	-	128,227
Debt instruments	11,528	-	-	11,528
Equity securities	-	75,670	-	75,670
Derivative financial assets held for trading purpose	-	-	-	-
Financial Assets Available For Sale	755,941	-	-	755,941
Debt instruments	895,696	75,670	-	971,366
Total financial assets	**128,227**	**-**	**-**	**128,227**
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities held for trading purpose	-	33,620	-	33,620
Total financial liabilities	**-**	**33,620**	**-**	**33,620**

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Financial assets at fair value through profit or loss:				
Financial assets at fair value:				
Debt instruments	151,521	-	-	151,521
Equity securities	1,959	-	-	1,959
Derivative financial assets held for trading purpose	-	18,229	-	18,229
Financial Assets Available For Sale				
Debt instruments	700,680	-	-	700,680
Total financial assets	**854,160**	**18,229**	**-**	**872,389**
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities held for trading purpose	-	6,625	-	6,625
Total financial liabilities	**-**	**6,625**	**-**	**6,625**

(e) Operational risk

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

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined. The data and amount of operational losses, the Bank exposed to during its activities is collected and analyzed regularly by Risk Management Department and reported to Board of Directors, Auditing Committee and senior management.

The Group calculated the value at operational risk in accordance with the "Computation of Value of Operational Risk" of the circular "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 1 November 2007, using gross profit of the last three years 2010, 2011 and 2012. The amount calculated as TL 960,159 (31 December 2012: TL 561,159) as at 31 December 2013 represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk is amounting to TL 841,338 (31 December 2012: TL 701,998).

(f) Capital management – regulatory capital

The BRSA sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations are directly supervised by their local regulators. In implementing current capital requirements, the BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total value at credit, market and operational risks. The Bank and its affiliates' consolidated regulatory capital is analysed into two tiers:

-Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and certain cost items.

-Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of the fair value reserve relating to unrealised gain/(loss) on assets classified as available-for-sale.

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

26. Financial risk management (Continued)

(f) Capital management – regulatory capital (Continued)

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the year. There have been no material changes in the Bank's management of capital during the period.

Starting from 1 July 2012, the capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitisations" published in the Official Gazette no.28337 dated 28 June 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.26333 dated 1 November 2006. In calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation. The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions. In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial instruments and the credit derivatives classified in banking book, the receivables from counterparties are multiplied by the rates stated in the Appendix-2 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

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

The Bank's and its affiliates' regulatory capital position on a consolidated basis as of 31 December 2013 is as follows:

	31 December 2013	31 December 2012
Tier 1 capital	1,203,260	1,061,448
Tier 2 capital	12,329	120,368
Deductions from capital	-	(75)
Total regulatory capital	1,215,589	1,181,741
Risk-weighted assets	6,584,503	5,274,250
Value at market risk	960,050	607,788
Operational risk	804,475	701,988
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	14.56%	17.95%
Total tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	14.41%	16.12%

27. Subsequent events

None.

Anadolubank

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