Finansbank Anonim Şirketi
And Subsidiaries

Consolidated Financial Statements
as at and for the Year Ended
December 31, 2014

Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Finansbank A.Ş.

We have audited the consolidated statement of financial position of Finansbank A.Ş. (a 99.81% owned subsidiary of National Bank of Greece S.A.) as of December 31, 2014, and the related consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows and notes thereto for the year ended December 31, 2014 prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. These consolidated financial statements reflect total assets of TL 76,892 million and shareholders equity of TL 10,100 million as of December 31, 2014, respectively, and profit for the year of TL 950 million for the year then ended. These consoldiated financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Finansbank A.Ş. and its subsidiaries at December 31, 2014 and the consolidated results of their operations and their cash flows for the year ended December 31, 2014, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Finansbank A.Ş.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria) and our report dated May 15, 2015 expressed an adverse opinion thereon.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst&Young Global Limited
İstanbul, Turkey
May 15, 2015

Certification of the Board of Directors and Chief Financial Officer

We, the members of the Board of Directors of Finansbank A.Ş. certify that to the best of our knowledge:

The financial statements for the annual period ended December 31, 2014 have been prepared in accordance with International Financial Reporting Standards – IFRS and present a true and fair view of the assets, liabilities, equity and results of operations of the Bank and of the consolidated companies included in the consolidation.

May 15, 2015

Ali Teoman Kerman	**Temel Güzeloğlu**	**Adnan Menderes Yayla**
Member of the Board of Directors and Chairman of the Audit Committee	General Manager and Member of the Board of Directors	Chief Financial Officer

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

	Notes	12 months period ended December 31, 2014	2013
Interest income	7	7,004,187	6,112,873
Interest expense	7	(3,811,984)	(2,971,521)
Net interest income		**3,192,203**	**3,141,352**
Fee and commission income	8	1,222,548	1,093,389
Fee and commission expense	8	(37,719)	(56,216)
Net fee and commission income		**1,184,829**	**1,037,173**
Dividend income		265	147
Net trading income / (expense) and results from investment securities	9	58,363	211,354
Other operating income	10	70,688	34,409
Total operating income		**4,506,348**	**4,424,435**
Personnel expenses	11	(1,008,215)	(978,268)
General and administrative expenses	13	(1,104,463)	(1,033,308)
Depreciation, amortization and impairment charges	14	(216,889)	(168,129)
Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables	15	(955,216)	(916,577)
Share of gains/(losses) of joint ventures	28	(386)	(10,429)
Other operating expenses	16	(40,848)	(79,478)
Profit before tax		**1,180,331**	**1,238,246**
Income tax expense	17	(230,180)	(240,058)
Profit for the year		**950,151**	**998,188**
Attributable to:			
Equity holders of the Parent		935,204	986,259
Non-controlling interest		14,947	11,929
Earnings per share - Basic and Diluted (Full TL)	18	0.0330	0.0348

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

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated

		12 month period ended December 31,	
	Notes	**2014**	**2013**
Profit for the year		**950,151**	**998,188**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale investments reserve		211,754	(522,501)
Net change in fair value	26	245,274	(442,108)
Net amount transferred to profit or loss		(33,520)	(80,393)
Net gains / (losses) on cash flow hedges		(170,582)	132,515
Net change in fair value		(172,981)	127,831
Net amount transferred to profit or loss		2,399	4,684
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains / (losses) related to employee benefits		(20,730)	5,619
Effect of changes in actuarial assumptions	12	(20,730)	5,619
Disposal of subsidiary			-
Income tax relating to components of other comprehensive income	31	**(4,315)**	**76,912**
Other comprehensive income for the year, net of tax		**16,127**	**(307,455)**
Total comprehensive income for the year		**966,278**	**690,733**
Total comprehensive income attributable to:		**966,278**	**690,733**
Equity holders of the Parent		951,331	678,804
Non-controlling interests		14,947	11,929

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

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014
Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Cash and balances with T.R. Central Bank	19	8,663,925	8,208,484
Due from banks	20	613,621	586,495
Financial assets at fair value through profit or loss	21	55,011	218,371
Derivative financial assets	22	3,250,774	3,217,335
Loans and advances to customers	23	50,280,965	43,091,147
Factoring receivables	24	448,142	522,897
Finance lease receivables	25	1,537,126	1,309,456
Available for sale investments	26	5,430,541	5,738,246
Held to maturity investments	27	3,727,223	2,825,779
Investments in joint ventures	28	170,273	179,618
Intangible assets	29	240,892	210,771
Property and equipment	30	1,489,628	554,717
Deferred tax assets	31	16,051	14,223
Assets held for sale	32	65,111	-
Other assets	33	902,968	1,167,994
Total assets		**76,892,251**	**67,845,533**
LIABILITIES			
Due to other banks	34	7,228,225	6,722,156
Customer deposits	35	40,577,304	36,824,730
Derivative financial liabilities	22	1,607,646	1,394,710
Debt securities issued	36	5,820,469	3,953,464
Funds borrowed	37	7,968,195	6,767,821
Current tax liabilities	17	175,964	103,500
Deferred tax liabilities	31	20,127	24,494
Retirement benefit obligations	12	127,049	94,853
Other Provisions	38	135,268	178,080
Other liabilities	39	3,131,615	2,647,614
Total liabilities		**66,791,862**	**58,711,422**
EQUITY			
Share capital issued	41	2,835,000	2,700,000
Share premium		714	714
Available for sale investments reserve, net of tax		(51,700)	(221,103)
Actuarial gains / (losses), net of tax		(52,122)	(35,312)
Cash flow hedging reserve, net of tax		(40,479)	95,987
Reserves and retained earnings	42	7,226,292	6,426,088
Equity attributable to owners of the Group		**9,917,705**	**8,966,374**
Non-controlling interest		182,684	167,737
Total equity		**10,100,389**	**9,134,111**
Total equity and liabilities		**76,892,251**	**67,845,533**

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

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated

	Note	Share capital	Share premium	Available for sale investments reserve, net of tax	Net gains / (losses) on cash flow hedges, net of tax	Actuarial gains / (losses), net of tax	Reserves and retained earnings	Equity attributable to owners of the Group	Non-controlling interest	Total
Balance at January 1, 2013		**2,565,000**	**714**	**196,898**	**(10,026)**	**(39,845)**	**5,574,169**	**8,286,910**	**151,636**	**8,438,546**
Profit for the year		-	-	-	-	-	986,259	986,259	11,929	998,188
Other comprehensive income for the year, net of tax		-	-	(418,001)	106,013	4,533	-	(307,455)	-	(307,455)
Total comprehensive income for the year, net		**-**	**-**	**(418,001)**	**106,013**	**4,533**	**986,259**	**678,804**	**11,929**	**690,733**
Issue of share capital	41	135,000	-	-	-	-	(135,000)	-	-	-
Acquisition of a subsidiary		-	-	-	-	-	-	-	2,940	2,940
Changes in consolidation structure due to acquisition of the shares from non-controlling interest in subsidiaries		-	-	-	-	-	660	660	1,232	1,892
Balance at December 31, 2013		**2,700,000**	**714**	**(221,103)**	**95,987**	**(35,312)**	**6,426,088**	**8,966,374**	**167,737**	**9,134,111**
Profit for the year		-	-	-	-	-	935,204	935,204	14,947	950,151
Other comprehensive income for the year, net of tax		-	-	169,403	(136,466)	(16,810)	-	16,127	-	16,127
Total comprehensive income for the year, net of tax		**-**	**-**	**169,403**	**(136,466)**	**(16,810)**	**935,204**	**951,331**	**14,947**	**966,278**
Issue of share capital	41	135,000	-	-	-	-	(135,000)	-	-	-
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-
Changes in consolidation structure due to disposal of the shares to non-controlling interest in subsidiaries		-	-	-	-	-	-	-	-	-
Balance at December 31, 2014		**2,835,000**	**714**	**(51,700)**	**(40,479)**	**(52,122)**	**7,226,292**	**9,917,705**	**182,684**	**10,100,389**

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

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated

		12 month period ended December 31,	
	Note	**2014**	**2013**
Cash flows from operating activities			
Interest received		6,598,989	5,831,657
Interest paid		(4,036,886)	(2,594,921)
Income from associates and dividends received		265	147
Fee and commission received		1,223,102	1,094,404
Earned premium net of claims and commissions		-	-
Trading gain / (loss)		(229,604)	(740,549)
Recoveries of loans previously written off and impaired loans		706,730	695,286
Fee and commission paid		(37,719)	(56,216)
Cash payments to employees and suppliers		(1,678,847)	(1,567,828)
Cash received from other operating activities		55,377	20,061
Cash paid for other operating activities		(218,952)	(105,794)
Income and other taxes paid		(203,668)	(386,800)
Cash flows from operating activities before changes in operating assets and liabilities		**2,178,787**	**2,189,447**
Changes in operating assets and liabilities			
Due from banks		176,733	(2,705,482)
Financial assets at fair value through profit or loss		165,478	(71,654)
Loans and advances to customers		(8,222,310)	(7,285,779)
Factoring receivables		71,537	(151,720)
Finance lease receivables		(257,221)	(171,430)
Other assets		107,998	(112,845)
Due to other banks		498,945	3,795,484
Customer deposits		3,697,792	4,552,374
Other liabilities		60,312	421,471
Net cash used in/provided byoperating activities		**(1,521,949)**	**459,866**
Cash flows from investing activities			
Purchases of available for sale investment securities	26	(3,467,262)	(12,686,412)
Proceeds from sale and redemption of available for sale investment securities		4,190,090	12,196,867
Purchases held to maturity investment securities	27	(607,445)	(1,166,482)
Disposal of subsidiary, net of cash disposed	47	-	1,892
Acquisitions of subsidiaries, net of cash acquired	48	-	(3,060)
Acquisitions of property and equipment		(762,655)	(199,054)
Proceeds from the disposal of property and equipment		144	314
Acquisitions of intangible assets	29	(110,487)	(97,988)
Proceeds from the sale of intangible assets		-	5,810
Other		-	(296,587)
Net cash provided by / (used in) investing activities		**(757,615)**	**(2,244,700)**
Cash flows from financing activities			
Proceeds from funds borrowed and debt securities issued		14,746,532	9,560,670
Payments of funds borrowed and debt securities issued		(12,020,529)	(9,599,716)
Net cash provided by financing activities		**2,726,003**	**(39,046)**
Effect of net foreign exchange differences on cash and cash equivalents		212,062	348,374
Net increase / (decrease) in cash and cash equivalents		658,501	(1,475,506)
Cash and cash equivalents at the beginning of the year	44	2,379,731	3,855,237
Cash and cash equivalents at the end of the year	**44**	**3,038,232**	**2,379,731**

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

1 General information

Finansbank Anonim Şirketi (hereinafter the "Bank" or "Finansbank") was incorporated in Istanbul on September 23, 1987, by the Fiba Group ("Fiba"). The Bank was listed on the Istanbul Stock Exchange on February 3, 1990. Currently the Bank only has a free float of 0.19% of its shares. The registered address of the Bank is at Büyükdere Caddesi, No 129, Gayrettepe 34394 Istanbul, Turkey.

On August 18, 2006, Fiba disposed of 46% of the ordinary shares of Finansbank A.Ş. belonging to Fiba Holding A.Ş. and other group companies and 100 founder shares of Finansbank A.Ş. belonging to Fina Holding A.Ş. to National Bank of Greece S.A. ("NBG") as per the share purchase agreement signed on April 3, 2006.

According to the Board of Directors decision dated September 16, 2014, it has been decided that 100 founder shares issued to NBG in accordance with the 10th close of the Bank's Articles of Associates will be canceled at no cost. Subject decision has been approved during the General Council Meeeting dated December 4, 2014.

On August 18, 2008, NBG accepted the proposal of Fiba Holdings A.Ş. to acquire the remaining shares of Finansbank held by Fiba Holding A.Ş. (9.68%), as provided for in the shareholders agreement between NBG and Fiba. The exercise price was determined in accordance with the agreement and amounted to USD 697 million. On September 26, 2008, NBG Finance (Dollar) Plc acquired the above shares from Fiba Holding A.Ş.

As of December 31, 2014 82.23% of the Bank's shares are owned by NBG. Additional shareholdings of 7.90% and 9.68% are held by NBG International Holdings B.V. and NBG Finance (Dollar) PLC respectively, both 100% subsidiaries of NBG. Therefore, the NBG Group owns 99.81% of the Bank and the remaining 0.19% of the Bank's is publicly traded. On August 26, 2014, the IFC notified NBG of its intent to exercise its put option right in relation to its entire holding of Finansbank shares. The exercise of this put option closed on September 26, 2014, resulting in an increase in NBG's holding of the Bank's ordinary shares to 99.81%.

The Bank's ultimate shareholder, NBG, was founded in 1841 and its shares have been traded on the Athens Stock Exchange since 1880 and on the New York Stock Exchange since 1999. NBG offers services such as retail and commercial banking, asset management, intermediary services and investment banking.

The accompanying consolidated financial statements of the Bank for the year ended December 31, 2014 comprise the Bank and its subsidiaries (together referred to as the "Group") listed in note 45.

Nature of Activities of the Bank / Group

The Group's activities include trade finance, corporate and commercial banking, treasury, retail banking and credit card operations. The Bank operates through a total of 658 branches, of which 656 are domestic branches, 1 is the İstanbul Atatürk Airport Free Trade Zone, and an off-shore banking branch in Bahrain.

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

The Board of Directors consists of the following members:

Executive Members	**Title**	**Date of Appointment**
Dr. Ömer A. Aras	Chairman- Executive Member	April 16, 2010
Sinan Şahinbaş	Deputy Chairman	April 16, 2010
Temel Güzeloğlu	Board Member and Managing Director	April 16, 2010

Non-Executive Members	**Title**	**Date of Appointment**
Prof. Dr. Mustafa Aydın Aysan (*)	Board Member	March 9, 1993
Stefanos Pantzopoulos	Board Member	October 16, 2012
Dr. Paul Mylonas (**)	Board Member and Audit Committee	February 23, 2010
Ioannis Vagionitis (***)	Board Member and Audit Committee	January 6, 2014
Christos Alexis Komninos	Board Member	February 16, 2011
Mustafa Hamdi Gürtin	Board Member	April 16, 2010
Ali Teoman Kerman (****)	Board Member and Head of Audit	April 16, 2013
Paula Hadjisotiriou	Board Member	December 16, 2013
Georgios Koutsoudakis	Board Member	July 23, 2014

(*) Prof. Dr. Mustafa Aydın Aysan resigned from Audit Committee as of April 24, 2014.
(**) Dr. Paul Mylonas has been appointed as member to the Audit Committee as of January 17, 2014.
(***) Ioannis Vagionitis has been appointed to the Audit Committee as of January 17, 2014.
(****) Ali Teoman Kerman has been appointed as the Head of Audit Committee as of April 24, 2014.

Members of Board of Directors are elected by the shareholders at the general assembly for 3 years and can be re-elected. The term of the above members expires in 2014 following their election by the shareholders' ordinary general assembly on April 19, 2011.

These financial statements have been approved for issue by the Bank's Board of Directors on May 14, 2015.

The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared under the historical cost convention except for financial assets measured at fair value such as derivative financial instruments, financial assets at fair value through profit or loss, available-for-sale investments and loans which are designated at fair value through profit or loss. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The consolidated financial statements are presented in Turkish Lira ("TL") and except as indicated, financial information presented in TL has been rounded to the nearest thousand.

The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by Public Oversight Accounting and Auditing Standards Authority "POAASA" and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations.

The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions. The accompanying financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of presentation in accordance with IFRS.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Use of available information and application of judgment are inherent in the formation of estimates in the following areas: valuation of over-the-counter ("OTC") derivatives, unlisted securities, retirement benefits obligation, insurance reserves, impairment of loans and receivables, provisions for taxes and contingencies from litigation. Actual results in the future may differ from those reported.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Adoption of International Financial Reporting Standards (IFRS)

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the consolidated financial statements of the Group.

IFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation did not have any impact on the financial position or performance of the Group.

IAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to IFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets have been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the consolidated financial statements of the Group.

IAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the consolidated financial statements of the Group.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment did not have any impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted:

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 9 Financial Instruments – Final Standard (2014)

In July 24, 2014 the IASB published the final version of IFRS 9 Financial Instruments, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Group.

IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to IAS/IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.IFRS 15 scopes out (a) lease contracts within the scope of IAS 17 Leases; (b) insurance contracts within the scope of IFRS 4 Insurance Contracts; (c) financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; consequently the Group estimates that the impact of the standard on financial position or performance of the Group is in the process of assessing the impact.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

• At cost
• In accordance with IFRS 9 (or IAS 39),

or

• Using the equity method

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the consolidated financial statements of the Group and will not have an impact on the consolidated financial position or performance of the Group.

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment will not have an impact on the financial position or performance of the Group.

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

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

2.3 Consolidation

2.3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (including special purpose entities), which are entities controlled by the Bank. Control is achieved when the Group is exposed, 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.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

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

2.3.2 Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.3.3 Changes in the Group's ownership interests in subsidiaries that do not result in loss of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

2.3.4 Loss of control

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Assets of the subsidiary carried at fair value with the related cumulative gain or loss recognized in other comprehensive income, the amount previously recognized in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to the statement of profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.3.5 Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of a joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

2.4 Business combinations

2.4.1 Acquisition method

Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are expensed as incurred and included in the statement of profit or loss under general and adiministrative expenses.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

2.4.2 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the statement of profit or loss.

2.4.3 Contingent consideration

From January 1, 2010, when the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37, as appropriate, with the corresponding gain or loss being recognized in the statement of profit or loss. For acquisitions before January 1, 2010, contingent consideration was recorded when its amount becomes probable and reliably measurable.

2.4.4 Business combination achieved in stages

From January 1, 2010, when a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in the statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the statement of profit or loss where such treatment would be appropriate if that interest were disposed of.

2.5 Foreign currency transactions

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements of the Group are presented in thousands of TL, which is the functional currency of the Bank.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. Translation differences on debt securities and other monetary financial assets re-measured at fair value are included in net trading income and results from investment securities. Translation differences on non-monetary financial assets are a component of the change in their fair value and are recognized in the statement of profit or loss for equity securities held for trading, or in other comprehensive income for equity securities classified as available for sale investment securities. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Thegain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

When preparing the financial statements, assets and liabilities of foreign entities are translated at the exchange rates prevailing at the reporting date, while income and expense items are translated at average rates for the period. Differences resulting from the use of closing and average exchange rates and from revaluing a foreign entity's opening net asset balance at closing rate are recognized directly in foreign currency translation reserve within other comprehensive income.

When a monetary item forms part of a reporting entity's net investment in a foreign operation and is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, the exchange differences that arise in the individual financial statements of both companies are reclassified to other comprehensive income upon consolidation. When a foreign entity is sold, such translation differences are recognized in the statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Foreign currency translation rates used by the Group as of December 31, 2014 and 2013 are as follows:

	EUR / TL	**USD / TL**
December 31, 2014	2,8207	2,3189
December 31, 2013	2,9365	2,1343

2.6 Regular way purchases and sales

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. All regular way purchases and sales of financial assets are recognized on the settlement date apart from trading and investment securities and derivative instruments, which are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset.

2.7 Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, forward rate agreements, currency and interest rate swaps, interest rate futures, currency and interest rate options (both written and purchased), credit default swaps and other derivative financial instruments are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Derivatives are presented in assets when favorable to the Group and in liabilities when unfavorable to the Group. Where the Group enters into derivative instruments used for trading purposes, realized and unrealized gains and losses are recognized in the statement of profit or loss.

A derivative may be embedded in another financial instrument, known as “host contract”. In such cases, the derivative instrument is separated from the host contract and treated as a separate derivative, provided that its risks and economic characteristics are not closely related to those of the host contract, the embedded derivative actually meets the definition of a derivative and the host contract is not carried at fair value with unrealized gains and losses reported in the statement of profit or loss.

Certain derivative instruments transacted as effective economic hedges under the Group’s risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated in the same way as derivative instruments held for trading purposes.

The Group also uses derivative instruments as part of its asset and liability management activities to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. The Group applies fair value or cash flow hedge accounting when transactions meet the specified criteria to obtain hedge accounting treatment. The Group’s criteria for a derivative instrument to be accounted for as a hedge include:

- at inception of the hedge, there is formal designation and documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the hedging period. A hedge is considered to be highly effective when the Group achieves offsetting changes in fair value between 80 percent and 125 percent for the risk being hedged; and
- the hedge is highly effective on an ongoing basis;
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

2.7.1 Fair value hedges

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognized in the statement of profit or loss along with the corresponding change in the fair value of the hedged item that is attributable to that specific hedged risk. For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the income statement in net trading income. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the income statement in net trading income.

In FV hedges of fixed rate Eurobond and government bonds classified as available for sale financial assets, fair value changes which have already been booked in other comprehensive income (OCI) are reclassified from OCI to net trading income in profit or loss statement.

If the hedge relationship no longer meets the criteria for hedge accounting, for reasons other than the de-recognition of the hedged item, or the hedging designation is revoked, the cumulative adjustment to the carrying amount of the hedged item, is, in the case of interest bearing financial instruments, amortized to the statement of profit or loss over the remaining term of the original hedged item using a recalculated effective interest rate , or in the case of a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities (and only in such a hedge), using a straight-line method. In other cases, adjustments to the hedged asset or liability arising from the application of hedge accounting are dealt with in accordance with the normal accounting treatment for that item. If the hedged item has been derecognized, e.g. sold or repaid, the unamortized fair value adjustment is recognized immediately in the statement of profit or loss.

In cases where fair value hedge operations cannot be effectively performed as described in IAS 39, fair value hedge accounting is ceased. The fair value differences reflected to income statement prior to discontinuation of hedge accounting are amortized through equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately realized in the income statement

2.7.2 Cash flow hedges

Fair value gains or losses associated with the effective portion of a derivative designated as a cash flow hedge are recognized initially in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in net trading income in the statement of profit or loss.

When the cash flows that the derivative is hedging (including cash flows from transactions that were only forecast when the derivative hedge was effected) materialize, resulting in income or expense, then the associated gain or loss on the hedging derivative is simultaneously transferred from other comprehensive income to corresponding income or expense line item.

If a cash flow hedge for a forecast transaction is deemed to be no longer effective, or the hedge relationship is terminated, the cumulative gain or loss on the hedging derivative previously reported in other comprehensive income is transferred to the statement of profit or loss when the committed or forecast transaction occurs.When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of profit or loss.

2.7.3 Hedge effectiveness testing

To qualify for hedge accounting, the Group requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective test), and demonstrate actual effectiveness (retrospective test) on an ongoing basis.

The documentation of each hedging relationship sets out how the hedge effectiveness is assessed. The method the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

Hedge ineffectiveness is recognized in the statement of profit or loss.

2.8 Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when, and only when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to realize the asset and settle the liability simultaneously or on a net basis.

2.9 Interest income and expenses

Interest income and expenses are recognized in the statement of profit or loss for all interest bearing instruments using the effective interest rate method. Interest income includes interest on loans and advances to customers, finance lease receivables, factoring receivables and due from banks, coupons earned on investment and trading securities and accrued discount and premium on treasury bills and other instruments.

Fees and direct costs relating to a loan origination or acquiring a security, financing or restructuring and to loan commitments are deferred and amortized to interest income over the life of the instrument using the effective interest rate method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.10 Fees and commissions

Fee and commission income is generally recognized on an accrual basis over the period the service is provided. Commission and fee arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts.

The fee and commissions paid to other institutions are recognized as transaction cost and recorded using effective interest rate method .

2.11 Financial assets and liabilities at fair value through profit or loss (“FVTPL”)

This category has the following two sub-categories:

- Trading and
- Financial assets and liabilities designated at fair value through profit or loss.

2.11.1 Trading

The trading category includes securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are included in a portfolio in which a pattern of short-term profit taking exists, and derivatives unless they are designated as and are effective hedging instruments. Trading securities may also include securities sold under sale and repurchase agreements (see Note 2.17 below).

2.11.2 Financial assets and liabilities designated at fair value through profit or loss

The Group designates at initial recognition certain financial assets or liabilities as at fair value through profit or loss when a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, for example the Board of Directors and Chief Executive Officer. The fair value designation, once made, is irrevocable.

2.11.3 Measurement

Financial assets and liabilities at fair value through profit or loss (both trading and designated) are initially recognized at fair value and subsequently re-measured at fair value.

Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in the fair value are included in net trading income and results from investment securities.

Interest income generated from financial assets are recognized under net interest income in the statement of profit or loss.

Dividend income is recognized in the statement of profit or loss when the right to receive payment is established. This is the ex-dividend date for equity securities and is separately reported and included in dividend income.

The amount of change during the period, and cumulatively, in the fair values of designated loans and advances to customers that is attributable to changes in their credit risk is determined as the amount of change in the fair value that is not attributable to changes in market conditions that give rise to market risk.

2.12 Available for sale investments

Available for sale investments are initially recognized at fair value (including transaction costs) and subsequent to initial recognition are measured at fair value. Unquoted equity instruments whose fair value cannot be reliably estimated are carried at cost. Unrealised gains and losses arising from changes in the fair value of available for sale investment securities are reported in other comprehensive income, net of taxes (where applicable), until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

Available for sale investment securities may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. When an available for sale investment security is disposed of or impaired, the accumulated unrealised gain or loss included in other comprehensive income is transferred to the statement of profit or loss for the period and reported as gains / losses from investment securities.

Impairment: The Group assesses at each reporting date whether there is objective evidence that an available for sale investment security or a group of such securities is impaired.

Particularly for equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of profit or loss) is removed from other comprehensive income and recognized in the statement of profit or loss.

Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Interest earned while holding investment securities is reported as interest income.

Dividend income is recognized when the right to receive payment is established (the ex-dividend date) for equity securities and is separately reported and included in dividend income.

2.13 Held to maturity investments

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

2.14 Loans and advances to customers

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

Loans and advances to customers include those classified as loans and receivables and those designated as fair value though profit or loss.

Loans originated by the Group are recognized when cash is advanced to borrowers. Loans and advances to customers are initially recorded at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate of the loan, and are subsequently measured at amortized cost using the effective interest rate method, unless they are designated as at “fair value through profit or loss” (see Note 2.11.2).

2.15 Impairment losses on loans and advances to customers

The Group assesses at each reporting date whether there is objective evidence that a loan, or a group of loans is impaired.

A loan (or group of loans) is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (“loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the loan (or group of loans) that can be reliably estimated.

An allowance for impairment is established if there is objective evidence that the Group will be unable to collect all amounts due according to the original contractual terms.

Objective evidence that a loan (or group of loans) is impaired includes observable data that comes to the attention of the Group about the following loss events:

(a) Significant financial difficulty of the issuer or obligor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;

(c) 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;

(d) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) The disappearance of an active market for that financial asset because of financial difficulties; or

(f) 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:

i. adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or

ii. national or local economic conditions that correlate with defaults on the assets in the group.

The impairment loss is reported through the use of an allowance account on the statement of financial position. Additions to impairment losses are made through impairment losses on loans and advances to customers, finance lease receivables and factoring receivables in the statement of profit or loss.

The Group assesses whether objective evidence of impairment exists individually for loans that are considered individually significant and individually or collectively for loans that are not considered individually significant.

If there is objective evidence that an impairment loss on loans and advances to customers carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at a) the loan's original effective interest rate, if the loan bears a fixed interest rate, or b) current effective interest rate, if the loan bears a variable interest rate.

The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Loans and advances to customers are grouped based on days in arrears or product type. Those characteristics are relevant to the estimation of future cash flows for pools of loans by being indicative of the debtors' ability to pay all amounts due and together with historical loss experience for loans with credit risk characteristics similar to those in the pool form the foundation of the loan loss allowance computation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects and conditions in the historical period that do not currently exist.

The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in impairment losses on loans and advances to customers, finance lease receivables and factoring receivables in the statement of profit or loss.

A write-off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of profit or loss.

2.16 Sale and repurchase agreements

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to repurchase agreements ('repos'), continue to be recognized on the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. The counterparty liability for amounts received under these agreements is included within securities sold under agreements to repurchase in due to other banks or customer deposits, as appropriate. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using effective interest method.

Securities purchased with a corresponding commitment to resell at a fixed rate at a specified future date ('reverse repos') are not recognized on the statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in due from banks. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using effective interest method.

2.17 Securities borrowing and lending

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability. Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in net trading income.

Respectively, securities lent and securities provided as collateral under securities borrowing transactions are not derecognized from the financial statements unless control of the contractual rights that comprise these securities transferred is relinquished.

The Group monitors the market value of the securities borrowed and lent on a regular basis and provides or requests additional collateral in accordance with the underlying agreements. Fees and interest received or paid are recorded as interest income or interest expense, on an accrual basis.

2.18 Financial liabilities and equity

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

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities,

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

2.19 Derecognition

2.19.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at thelower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.19.2 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

2.20 Fair value of financial instruments

The Group measures the fair value of its financial instruments based on a framework for measuring fair value that categorizes financial instruments based on a three-level hierarchy of the inputs to the valuation technique, as discussed below.

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, as well as debt securities without quoted prices and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes government and corporate debt securities with prices in markets that are not active and certain OTC derivative contracts.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

2.21 Property and equipment

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Group for use in the supply of services or for administrative purposes. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into operating condition. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs incurred subsequent to the acquisition of an asset, which is classified as property and equipment are capitalised, only when it is probable that they will result in future economic benefits to the Group beyond those originally anticipated for the asset, otherwise they are expensed as incurred.

Depreciation of an item of property and equipment begins when it is available for use and ceases only when the asset is derecognized. Therefore, the depreciation of an item of property and equipment that is retired from active use does not cease unless it is fully depreciated, but its useful life is reassessed. Depreciation on property and equipment is calculated using the straight-line method over their estimated useful lives as follows:

Land	No depreciation
Buildings and land improvements	Up to 50 years
Furniture and fixtures	5-12 years
Machinery and equipment	4-5 years
Vehicles	4-7 years
Leasehold improvements	Over the term of respective leases

Expenses for repairs and maintenance are charged to expenses as incurred.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

At each reporting date the Group assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of the fair value less costs to sell and value in use. Impairment losses are recognized in the statement of profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

Foreclosed assets, which consist mainly of properties acquired through foreclosure in full or partial satisfaction of a related loan, are initially measured at fair value less estimated costs to sell, which includes transaction costs, and reported under other assets. After initial recognition foreclosed assets are re-measured at the lower of their carrying amount and fair value less estimated costs to sell. Subsequent gains may be recognized up to the amount of previous write-downs. Any gains or losses on liquidation or re-measurement of foreclosed assets are included in other operating income/ (expenses).

2.22 Intangible assets

Intangible assets include goodwill, purchased software and internally generated software.

<u>Goodwill</u>

Subsequent to initial recognition, goodwill is stated at cost, as established at the date of acquisition (see Note 30) less accumulated impairment losses.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The Group assesses goodwill for possible impairment annually or more frequently if there are indications for impairment. The assessment involves estimating whether the carrying amount of the goodwill remains fully recoverable. When making this assessment the Group compares the carrying value of the CGU to which the goodwill is allocated to its recoverable amount, which is the higher of fair value less cost to sell and value in use. Fair value is estimated by reference to market value, if available, or is determined by a qualified evaluator or pricing model. Determination of a fair value and

value in use requires management to make assumptions and use estimates. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognized, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount.

Internally generated software

The amount initially recognized for internally generated software is the total expenditure incurred from the date when the internally generated software first meets the recognition criteria. Where no internally generated software can be recognized, development expenditure is charged to the statement of profit or loss in the period in which it is incurred.

Research costs are expensed as incurred. An internally generated software arising from development expenditure incurred on an individual project is recognized only when the Group can demonstrate:

- the technical feasibility of completing the internally generated software so that it will be available for use,
- its intention to complete and use the asset,
- the ability to use the asset,
- how the asset will generate future economic benefits,
- the ability of adequate technical, financial and other resources to complete the development and use the asset and
- the ability to measure reliably the expenditure during development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and impairment losses.

Purchased software

Software includes costs that are directly associated with identifiable and unique software products controlled by the Group that are anticipated to generate future economic benefits exceeding costs beyond one year. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of software. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any impairment losses.

Measurement

Software costs recognized as assets are amortized using the straight-line method over their useful lives, for internal generated software the useful life is 5 years whereas for purchased software the useful life is 3 years.

The carrying value of intangible assets is reviewed for impairment annually or more frequently when an indication of impairment arises during the reporting year.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

2.23 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

2.23.1 The Group as a lessee

Finance leases: Leases where the Group has substantially all the risks and rewards of ownership of the asset are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the statement of profit or loss over the lease period. All assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases: Leases where a significant portion of the risks and rewards of ownership of the asset are retained by the lessor, are classified as operating leases. These include rent agreements of branch premises, which are cancelable subject to a period of notice. The total payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.23.2 The Group as a lessor

Finance leases: When assets are leased out under a finance lease, the present value of the minimum lease payments is recognized as a receivable. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Finance leases are presented in finance lease receivables.

Impairment losses on finance lease receivables

The Group assesses at each reporting date whether there is objective evidence that a finance lease receivable is impaired in a similar way to the loans and advances to customers as described in 2.14. Any impairment loss is recognized also in a similar way to the loans and advances to customers as described in 2.14.

Operating leases: Assets leased out under operating leases are included in the statement of financial position based on the nature of the asset. They are depreciated over their useful lives on a basis consistent with similar owned property. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

2.24 Factoring receivables

Factoring receivables are calculated on the basis of their historical cost and are amortized with effective interest rate after unearned interest income is charged and specific provisions for impairments are provided, if any. Factoring receivables are revised regularly for any impairment. Specific provision for the impairment of factoring receivables is provided over the carrying amount of factoring receivables for the purpose of adjusting their values to the collectable amount.

2.25 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, unrestricted balances held with central banks, amounts due from other banks and highly liquid financial assets with original maturities of less than three months from the date of acquisition such as treasury bills and other eligible bills, investment and trading securities which are subject to insignificant risk of changes to fair value and are used by the Group in the management of its short-term commitments.

2.26 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement recognized.

2.27 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract, other than those assessed as insurance contracts, is recognized initially at their fair value and subsequently measured at the higher of: (a) the unamortized balance of the related fees received and deferred, and (b) the best estimate of the amount required to settle the guarantee at the reporting date.

2.28 Employee benefits

The Group has defined benefit plans as described below:

A defined benefit plan is a post-employment benefit plan that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. For defined benefit plans, the liability is the present value of the defined benefit obligation as at the reporting date minus the fair value of the plan assets (if any), including any adjustments for unrecognized actuarial gains/losses and past service cost.

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum severance indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, using the projected unit credit method in the accompanying financial statements.

Remeasurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

☐ The date of the plan amendment or curtailment, and
☐ The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and service costs related to the defined benefit plans are recognized in personnel expenses in the statement of profit or loss.

The Group provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with IAS 19, “Employee Benefits”.

The Group has to pay contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. These contributions are recognized as an employee benefit expense when they are accrued.

2.29 Income taxes

Tax charge (benefit) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

a. Current tax

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

b. Deferred tax

Deferred tax is fully provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to items which are recognized in other comprehensive income is also recognized in other comprehensive income. Such deferred tax is subsequently recognized in the statement of profit or loss together with the deferred gain or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

2.30 Interest bearing deposits and borrowings

All deposits and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. Interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

2.31 Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Annual General Meeting of the Shareholders of the Bank and its subsidiaries.

2.32 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision makers.

All transactions between business segments are conducted on an arm´s length basis, with inter-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

2.33 Related party transactions

Related parties include entities, which the Group has the ability to exercise significant influence in making financial and operating decisions. Related parties include, directors, shareholders, close members of their families, companies owned or controlled by them and companies over which they can influence the financial and operating policies.

2.34 Fiduciary and trust activities

The Group provides fiduciary and trust services to individuals and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Trust assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not recognized in the financial statements, since such items are not as assets of the Group. The Group is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

2.35 Earnings per share

The basic earnings per share (EPS) ratio is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share ratio is computed using the same method as for basic EPS, but the determinants are adjusted to reflect the potential dilution that could occur if convertible debt securities, options, warrants or other contracts to issue ordinary shares were converted or exercised into ordinary shares.

3 Critical judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in the consolidated financial statements. The Group believes that the judgments, estimates and assumptions used in the preparation of the financial statements are appropriate given the factual circumstances as of December 31, 2014.

The most significant areas, for which judgments, estimates and assumptions are required in applying the Group's accounting policies, are the following:

Allowances for loans and advances to customers, finance lease and factoring receivables

The amount of the allowance for impairment of loans and advances to customers, finance lease receivables and factoring receivables is based upon management's ongoing assessments of the probable estimated losses inherent in the loan and lease portfolios. Assessments are conducted by members of management responsible for various types of loans and leases employing a methodology and guidelines, which are continually monitored and improved.

This methodology has two primary components: individual and collective impairment assessments, as described in Note 2.14.

Applying this methodology requires management to make estimates regarding the amount and timing of the cash flows, which are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realizable value of any underlying collateral or guarantees in favor of the Group. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed.

In assessing the need for collective loan and lease loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made both to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances and provisions depends on the model assumptions and parameters used in determining collective allowances. While this necessarily involves judgment, management believes that the allowances and provisions are reasonable and supportable.

The amount of the allowance for impairment of loans and advances to customers, finance lease receivables and factoring receivables are described in Note 23,24,25.

Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. These include present value methods and other models based mainly on observable input parameters and to a small extent to non-observable input parameters.

Valuation models are used primarily to value derivatives transacted in the over-the-counter market. These models take into consideration the impact of credit risk if material. This impact is estimated by calculating a separate credit value adjustment ("CVA") for each counter party to which the Group has exposure. The calculation considers expected exposures generated using simulation techniques, as well as netting agreements and collateral postings Furthermore, the CVA is based on expected loss rates derived from Credit Default Swaps ("CDS") rates observed in the market, or, if these are not available, the probability of default or the counter party derived from internal rating models, or otherwise the regulatory risk weight is applied. With respect to own credit risk, the Group applies a methodology symmetric to the one applied for CVA.

All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed thereafter, by qualified personnel independent of the area that created the model.

The Group applies the models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment. Management therefore establishes valuation adjustments to cover the risk associated with the estimation of unobservable input parameters and the assumptions within the models themselves.

Although a significant degree of judgment is, in some cases, required in establishing fair values, management believes the fair values recorded in the statement of financial position and the changes in fair value recorded in the statement of profit or loss are prudent and reflective of the underlying economics, based on the controls and procedural safeguards employed.

Hedge of foreign currency risk on nonfinancial assets:

As explained in Note 22 , the Group based on its evaluation of market practice and the opinion of independent appraisers , concluded that foreign currency risk in its recently acquired property is a value driver and is separately measureable and thus designated its foreign currency denominated liabilities as a hedging instrument in fair value hedge of foreign currency risk related with its recently acquired property.

4 Other Matters

None.

5 Financial risk management

5.1 Risk management governance

The Group's Risk Management Department is responsible for monitoring and managing all potential risks for the Group in a centralized and efficiently coordinated manner. The primary goal of the Group's Risk Management Department is to provide business lines with appropriate capital allocation (economic capital) for risks they are exposed to.

The Group aims to adopt practices regarding risk management governance, taking into account all relevant guidelines and regulatory requirements, as set by the Basel Committee, BRSA and the Capital Markets Board ("CMB"), as well as any decisions of the competent authorities supervising the Group entities.

Risk management governance at the Group starts with the Board of Directors. The Board Risk Committee ("BRC"), Asset Liability Committee ("ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Committee ("ORC") and the Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank. The BRC defines risk policies and strategies, reviews the types of risks the Bank is exposed to in its monthly meetings, monitors the implementation of the risk management strategies and brings the important risk issues to the attention of the Board. The ALCO, meeting bi-weekly, is responsible for monitoring and managing the structural asset liability mismatches of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange risk. The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimize these risks. The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under four groups as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Internal Audit Division, which reports directly to the Board of Directors through the Audit Committee, complements the risk management framework and acts as an independent reviewer, focusing on the effectiveness of the risk management framework and control environment.

5.1.1 Board Risk Committee

The Group's risk management policies are approved by the BRC, the members of which are the Chairman of the Board of Directors, and three members of the Board of Directors. According to its internal regulation, the BRC is responsible for all strategic risk management decisions including, for example, the approval and review of risk strategy, policies and capital adequacy and allocation as well as oversight of the CPC and the ORC.

5.1.2 Group Risk Management Department

The department seeks to protect the Group against unforeseen losses and to maintain earnings stability through the independent identification and assessment of risks. It uses a framework for evaluating risks as the basis for organizing the Group structure. Its role in maximizing the Bank's earnings potential involves measuring performance on a risk-adjusted basis and allocating capital accordingly. In addition, it is responsible for providing the BRC and the Executive Committee with data and analysis required for measuring, monitoring and managing risks and for supporting the implementation of risk management decisions. Group risk management policies are approved by the BRC.

The department undertakes to do the following:

- Analyze, measure, monitor, control, mitigate and report to management all significant on- and off-balance sheet risks undertaken at the Bank and the Group level;
- Adopt risk management policies with regard to significant credit, market, operational and other risks undertaken by the Bank and the Group;
- Evaluate the internal capital that is required in respect of all aforementioned risks and estimate all relevant capital ratios of the Bank and the Group;
- Establish a framework for undertaking risk applicable to all levels of management and collective bodies of the Bank and the Group;
- Establish early warning systems and perform stress tests on a regular basis; and
- Guide decision making processes at the Group level by providing the necessary risk management related evaluation.

5.1.3 Asset and liability management

The ALCO propose asset and liability management procedures and policies to the Board of Directors. The ALCO is responsible for executing these policies and managing structural interest rate risk within the limits defined by the Board of Directors. The ALCO meets twice a month. At these meetings, the ALCO reviews the critical issues and determines the strategies for asset and liability management.

5.1.4 Internal Audit Division

Internal Audit Division (“IAD”) in the Group has objective of conducting assurance and consulting activities designed to add value and improve operations.

5.1.5 Management of specific risks

Finansbank’s risk management processes distinguish among the types of risks set out below.

5.2 Credit risk

Credit risk represents the risk arising from the counterparty not fulfilling its responsibilities stated in the agreement either partially or totally. The Credit Risk Committees and Credit Divisions are responsible for managing credit risk of the Group.

The total limit amount which is imposed on debtors individually or as a group is determined according to the size of the exposure and the assessment of different loan allocation parties in Finansbank. Beside total limit, product base limits also exist.

The creditworthiness of the Group’s debtors is continuously monitored as long as the credit relation exists. Updated financial statements and intelligence is periodically collected by credit departments. The limits of the loan customers are revised periodically and the Group analyses the creditworthiness of the customers and requires collaterals within the framework of its credit policies.

The Group establishes limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments is managed together with the risks resulting from market fluctuations. The Group monitors regularly risks of forward transactions, options and other similar agreements and reduces the risk if necessary by obtaining margin deposits or entering into netting agreements.

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

The restructured and rescheduled loans are monitored by the Bank according to its Credit Risk Policy. According to the Credit Risk Policy, the Bank could restructure or reschedule a loan in order to strengthen the liquidity of the loan customer and to increase the collectability of the loan. After evaluation of the loan, the loan is either restructured by issuing additional loan to the customer or rescheduled by modifying the payment amount or the schedule. The customer's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the credit department.

Grades for companies having restructured and rescheduled loans are updated based on the analysis and credit performance of the company. Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the financial statements, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

Gross maximum exposure	**December 31, 2014**	**December 31, 2013**
T.R. Central Bank	7,824,331	7,160,644
Due from banks	613,621	586,495
Financial assets at FVTPL	47,587	218,371
Derivative financial assets	3,250,774	3,217,335
Available for sale investments	5,394,625	5,738,246
Held to maturity investments	3,727,223	2,825,779
Loans and advances to customers	50,280,965	43,091,147
Factoring receivables	448,142	522,897
Finance lease receivables	1,537,126	1,309,456
Other assets	363,408	287,452
Total	**73,487,802**	**64,957,822**
Financial guarantees and lending commitments	9,160,409	7,118,412
Credit card limits	16,834,644	8,599,738
Other commitments	12,093,253	17,105,176
Total	**38,088,306**	**32,823,326**
Total credit risk exposure	**111,576,108**	**97,781,148**

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

5.2.1 Credit rating system

Finansbank aims to manage its loan portfolio based on international best practices. In this respect, the Bank has formed internal scoring and rating systems, based on statistical methods to monitor the credibility of its clients. These systems classify the customers according to their default risk from highest to lowest score or rating. Internal scoring systems are used to improve the efficiency of the loan granting process, to monitor loan portfolio quality effectively and to assist in the determination of the actions required. The Bank uses rating and scoring systems for corporate customers in order to assess the creditworthiness of a customer applying for a loan, and behavioral scoring systems for existing customers in order to calculate the default probability in a certain period of time. These systems are revised periodically based on international best practices and methodologies and calibrated if necessary.

The table below indicates the level of ratings for the corporate / commercial and enterprise banking loans and advances to customers:

	2014 (%)	2013 (%)
Debtor has a strong financial structure	11	10
Debtor has a good financial structure	42	60
Debtor has a medium financial structure	28	19
Debtor has a financial structure which needs attention in medium term	17	8
Not graded	2	3
Total	**100**	**100**

The Bank utilizes behaviour scorecards in order to monitor retail loans (mortgage loans, consumer credits, credit cards) portfolio. Behaviour scorecards are developed and validated in-house. There are different behaviour scorecards for each product group as well as delinquency status (there are different scorecards for current credits and delinquent credits for each credit type). Behaviour scores are calculated with every installment/statement starting at 3rd month for credit cards and retail loans using payment behaviour of the customer. The scorecards measure the probability that the loan will become non-performing in the following months. All of the scorecards are monitored on quarterly basis and, if needed, necessary actions are taken toupdate them. In application and collection stages, the scorecards are utilized heavily in strategies. Behavior scores are also used for selecting target groups for cross-sell and other marketing campaigns.

The most common practice used by the Group to mitigate credit risk is the taking of security for funds advances. The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types for loans and advances to customers are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, ships, vehicles, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Cash collaterals;
- Bank or personal guarantees.

Revolving credit facilities to individuals and debt securities, treasury and other eligible bills are generally unsecured.

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

5.2.2 Loans and advances to customers and finance lease receivables restructured

Restructuring activites include extended and/or rescheduled payment arrangements, approved external management plans, arrangement of terms of loan such as modification and deferral of payments, interest rate, foreign exchange (“FX”) type, collateral structure, granting additional loan sale of collaterals, sale of debts, or sale of company.

If restructuring is entered into for non-performing loans such loans will reported as non-performing for a minimum of 6 months and may be reported as performing if 15% of loan amount is collected. If not, such loans will be continue to be reported as non-performing for at least 6 more months. If an additional loan was granted during restructuring, then at least 20% of the combined outstanding amount at the time of restructuring must be collected in order to be eligible to no longer be reported as non-performing. As of December 31, 2014, the total amount of restructured loans included in non performing loans areTL 82,837 (December 2013: TL 161,729).

As of December 31, 2014, the total amount of restructured finance lease receivables included in non performing loans are TL 48,111 (December 2013: TL 56,471).

5.2.3 Credit risk by industry sector

An industry sector analysis of the Group’s loans and advances to customers are as follows:

Industry sector	December 31, 2014	December 31, 2013
Private individuals	22,939,175	24,616,468
Trade and services (excl. tourism)	7,115,400	5,478,026
Industry & mining	5,440,777	3,575,820
Small scale industry	4,030,486	2,344,979
Construction and real estate development	2,629,529	1,958,161
Transportation and telecommunications	1,111,070	1,131,591
Tourism	968,397	513,780
Factoring	625,271	501,270
Leasing	158,981	304,991
Energy	-	89,569
Other	5,261,879	2,576,492
Total	**50,280,965**	**43,091,147**

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

An industry sector analysis of the Group's finance lease receivables are as follows;

Industry sector	December 31, 2014	December 31, 2013
Small scale industry	1,126,951	1,015,905
Industry and mining	272,510	179,198
Construction and real estate development	62,731	55,451
Transportation and telecommunications	14,652	14,219
Trade and services (excl. tourism)	3,704	5,438
Tourism	796	1,017
Other	55,782	38,228
Total	**1,537,126**	**1,309,456**

An industry sector analysis of the Group's factoring receivables are as follows;

Industry sector	December 31, 2014	December 31, 2013
Industry and mining	120,060	176,983
Construction and real estate development	85,971	95,741
Transportation and telecommunications	38,275	92,062
Trade and services (excl. tourism)	59,540	56,804
Tourism	19,185	9,646
Small scale industry	7,816	3,780
Shipping	814	786
Other	116,481	87,095
Total	**448,142**	**522,897**

5.2.4 Counterparty risk

The Group faces counterparty risk from the over-the-counter transactions and the repurchase agreements in which it is involved. Counterparty risk is the risk arising from an obligor's failure to meet its contractual obligations. For the efficient management of counterparty risk, the Bank has established a framework of counterparty limits. The financial institution department is responsible for setting and monitoring the limits.

Counterparty limits are set based on the credit ratings of the financial institutions. The credit ratings are provided by internationally recognized ratings agencies, in particular by Moody's and Standard & Poor's. According to the Bank's policy, if agencies disagree on the creditworthiness of a financial institution, only the lowest rating will be taken into consideration. In cases where a financial institution is not rated by the above agencies, its rating is given by the Bank's internal rating model.

The counterparty limits apply to all financial instruments which the Treasury department actively trades in the interbank market. The limits framework is revised according to the business needs of the Bank and prevailing conditions in international financial markets. A similar limit structure for the management of counterparty risk is enforced across all of the Group's subsidiaries.

The Group seeks to reduce counterparty risk by standardizing relationships with counterparties through International Swaps and Derivatives Association ("ISDA"), Global Master Repurchase Agreement ("GMRA") and Global Master Securities Lending Agreement ("GMSLA") contracts that respectively include all necessary closeout netting clauses and margining agreements. Additionally, for the most active counterparties in over-the-counter derivatives, credit support annexes have been put in effect so that on the basis of daily valuations, net current exposures are managed through margin accounts where cash collaterals can be reciprocally posted.

The Bank avoids taking positions in derivative contracts where the values of the underlying assets are highly correlated with the credit quality of the counterparty.

To calculate capital requirements, Finansbank measures the exposure amount by applying a methodology that includes:

- data gathering via risk management systems;
- performance of quantitative and qualitative checks; and
- application of the fair value methodology according to the BRSA.

5.3 Market risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates) and their levels of volatility. In recent years, the Group has expanded its trading activities to include a wide variety of financial products in order to enhance its profitability and its service to customers. These trading activities require Finansbank to assume market risk, which the Group seeks to identify, estimate, monitor and manage effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of the Group's transactions. The capital required for General Market Risk and Specific Risk is calculated and reported monthly in accordance with the Standard Method defined in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" issued by the BRSA. The most significant types of market risk for the Group are interest rate risk, equity risk and foreign exchange risk.

Interest rate risk is the risk related to the potential loss on the Group's portfolio due to adverse movements in the interest rates. Interest rate risk is the risk that the fair value or future cash flows of Group's portfolio will fluctuate because of changes in market interest rates. A principal source of interest rate risk exposure arises from the Group's trading and available-for-sale bond portfolios, and its interest rate exchange traded and OTC transactions.

The Group has to manage the interest rate risk that derives from the positions it retains in Turkish government bonds, denominated mostly in TL. In addition, the Group enters into swap transactions either for hedging purposes, or for proprietary reasons. As a means of hedging, the Group enters into swap transactions in order to hedge the interest rate risk of its Eurobond portfolio, which consists of Turkish government bonds denominated in foreign currency.

The Group also obtains liquidity in US dollars and Euro which are then converted into TL through cross currency interest rate swaps in order to offer loans to its customers. Furthermore, these cross currency interest rate swaps act as a hedge to the interest rate risk that derives from the Group's loan portfolio.

Equity risk is the risk related to the potential loss that might occur due to adverse movements in the prices of stocks and equity indices. The Group holds a limited portfolio of stocks, the majority of which are traded on the Istanbul Stock Exchange, and also retains positions in stock and equity index derivatives traded in the Turkish and international exchanges.

Foreign exchange risk is the risk related to the potential loss due to adverse movements in foreign exchange rates. The foreign exchange risk derives from the Group's Open Currency Position ("OCP").

The Group trades in all major currencies holding mainly short-term positions for trading purposes and for servicing its institutional, corporate, domestic and international clients. According to the Bank's strategy, the end of day OCP should comply with the regulatory limits.

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

5.3.1 Market risk on trading and available-for-sale portfolio

The Bank estimates the market risk of its trading and available-for-sale (“AFS”) portfolios by applying a Value-at-Risk (“VaR”) methodology. In particular, the Bank has adopted a historical simulation methodology with a 99% confidence interval and a one day holding period. The system used is Risk Watch. VaR is calculated with ‘Historical Simulation’ method. An overall “Bank Risk Tolerance” and VaR limits for each risk factor are determined in order to manage the market risk efficiently and to keep the market risk within the desired limits. The Group Risk Management Department monitors VaR balances daily for compliance with the limits. Periodic stress tests and scenario analyses are used to support the results of VaR.

The VaR limits have been determined by reference to worldwide best practices; they refer not only to specific types of market risk, such as interest rate, foreign exchange and equity risk, but also to the overall market risk of the Bank’s trading and AFS portfolios.

The tables below present the Bank’s VaR for 2014 and 2013;

2014	Total VaR	Interest Rate VaR	Foreign Exchange Risk VaR	Equity VaR
As of December 31	40,404	38,003	28	3,319
Average	33,348	32,952	267	3,056
Minimum	16,839	16,680	1	203
Maximum	60,455	59,302	1,422	9,850

2013	Total VaR	Interest Rate VaR	Foreign Exchange Risk VaR	Equity VaR
As of December 31	49,035	48,835	127	969
Average	43,011	42,869	1,128	433
Minimum	13,041	13,394	68	24
Maximum	88,834	89,409	5,969	1,427

In addition, the Bank performs back testing in order to verify the predictive power of its VaR model. The calculations involve the comparison of “hypothetical” daily gains and losses with the respective estimates of the VaR model used for regulatory purposes.

Stress test analysis is also performed by Finansbank on its trading and available for sale portfolios on a monthly basis. The scenarios refer to extreme movements of interest rates and foreign exchange prices and are based on the latest financial crises which have taken place in Turkey.

5.3.2 Limitations of the VaR model

The VaR model is based on certain theoretical assumptions, which under extreme market conditions might not capture the maximum loss the Bank will suffer. The restrictions of the Bank's methodology are summarized as follows:

- The use of historical data series as predictive measures for the behaviour of risk factors in the future might prove insufficient in periods of intense volatility in financial markets.
- The one-day holding period for VaR calculations (or ten days for regulatory purposes) implies that the Bank will be able to liquidate all its trading assets within this length of time. This assumption might underestimate market risk in periods of insufficient liquidity in financial markets or in cases where certain assets in the Bank's portfolio cannot be easily liquidated.
- VaR refers to the plausible loss on the Bank's portfolio for a 99% confidence interval, not taking into account any losses beyond that level.
- All calculations are based on the Bank's positions at the end of each business day, ignoring the intra-day exposures and any realized losses that might have been incurred.
- VaR estimates rely on small changes in the prices of risk factors. For bigger movements, the methodology would not fully capture the effect on the value of the portfolio.

5.3.3 Interest rate risk in the banking book and interest rate sensitivity

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Bank analyzes all these risks periodically, and considering market conditions, manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy. The Group believes that it maintains adequate measurement, monitoring, and control functions for interest rate risk in the banking book, including:

- measurement systems for interest rate risk that capture all material sources of interest rate risk and that assess the effect of interest rate changes in ways that are consistent with the scope of the Group's activities;
- measurement of vulnerability to loss under stressful market conditions;
- processes and information systems for measuring, monitoring, controlling, and reporting interest rate risk exposures in the banking book; and
- a documented policy regarding the management of interest rate risk in the banking book.

Interest rate risk that would arise from the changes in interest rates depending on the Group's position is managed by the ALCO of the Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the ALCO meetings held every month by taking the market developments into consideration.

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

In addition to customer deposits and bond issuance, the Bank funds its long term fixed interest rate TL installment loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank swaps the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating foreign currency interest rate).

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

Even though the Bank is exposed to structural interest rate risk on its statement of financial position due to the nature of its existing activities, the Bank's policy aim to ensure that this risk stays within the pre-defined limits. The ALCO aims to protect the economic value of equity, while sustaining a stable earnings profile. Duration/GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk.

The Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, so as to calculate their impact on net economic value. Beside the Basel standard interest rate shock scenario, 2001 crisis, May 2004 and June 2006 scenarios are also simulated.

The interest rate risk on 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 by BRSA on August 23, 2011, and the legal limit as per this measurement is monitored and reported monthly to Asset and Liability Committee, the Board Risk Committee and the Board of Directors.

Type of Currency	Shocks Applied (+/- x basis points)	Gains/ (Losses)	Gains/Equity-(Losses) /Equity
1. TL	(+) 500	(890.295)	(8.13%)
	(-) 400	859.299	7.85%
2. EUR	(+) 200	(23.023)	(0.21%)
	(-) 200	37.940	0.35%
3. USD	(+) 200	(91.694)	(0.84%)
	(-) 200	100.196	0.92%
Total (of negative shocks)		**997.435**	**9.12%**
Total (of positive shocks)		**(1.005.012)**	**(9.18%)**

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

The following table indicates the periods in which financial assets and liabilities re-price as of December 31, 2014:

December 31, 2014

ASSETS	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years	Non-interest bearing	Total
Cash and balances with T.R. Central Bank	912,654	-	-	-	-	7,751,271	8,663,925
Due from banks	372,195	6,581	10,000	-	-	224,845	613,621
Financial assets at FVTPL	14,240	5,232	28,947	3,353	3,239	-	55,011
Derivative financial assets	829,794	2,023,233	18,402	111,492	41,654	226,199	3,250,774
Loans and advances to customers	12,257,919	5,101,277	14,843,495	13,336,873	4,741,401	-	50,280,965
Factoring receivables	249,189	108,546	73,458	24	-	16,925	448,142
Finance lease receivables	127,419	94,086	393,050	833,904	26,182	62,485	1,537,126
Available for sale investments	1,563,099	677,548	1,454,347	195,161	1,508,493	31,893	5,430,541
Held to maturity investments	161,869	833,442	1,778,766	693,972	259,174	-	3,727,223
Other assets	-	-	-	-	-	363,408	363,408
Total assets	**16,488,378**	**8,849,945**	**18,600,465**	**15,174,779**	**6,580,143**	**8,677,026**	**74,370,736**
LIABILITIES							
Due to other banks	6,174,259	989,558	40,184	-	-	24,224	7,228,225
Customer deposits	24,486,018	7,764,205	2,199,172	102,961	-	6,024,948	40,577,304
Derivative financial liabilities	169,185	619,745	35,398	284,743	229,783	268,792	1,607,646
Debt securities issued	241,277	1,614,774	1,061,031	2,848,642	-	54,745	5,820,469
Funds borrowed	564,599	1,021,306	6,069,142	271,077	3,568	38,503	7,968,195
Other liabilities	-	-	-	-	-	2,740,187	2,740,187
Total liabilities	**31,635,338**	**12,009,588**	**9,404,927**	**3,507,423**	**233,351**	**9,151,399**	**65,942,026**
Total interest sensitivity gap	**(15,146,960)**	**(3,159,643)**	**9,195,538**	**11,667,356**	**6,346,792**	**(474,373)**	**8,428,710**

The following table indicates the periods in which financial assets and liabilities re-price as of December 31, 2013:

December 31, 2013

ASSETS	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years	Non-interest bearing	Total
Cash and balances with T.R. Central Bank	-	-	-	-	-	8,208,484	8,208,484
Due from banks	207,232	71,386	4,143	-	-	303,734	586,495
Financial assets at FVTPL	12,139	148,848	32,065	10,398	4,673	10,248	218,371
Derivative financial assets	71,211	153,148	727,638	1,790,872	150,003	324,463	3,217,335
Loans and advances to customers	11,078,092	4,562,315	12,635,539	11,314,739	3,500,462	-	43,091,147
Factoring receivables	212,186	175,413	122,933	1,861	-	10,504	522,897
Finance lease receivables	131,654	81,098	335,092	689,258	12,142	60,212	1,309,456
Available for sale investments	1,136,061	1,955,334	782,309	605,508	1,220,115	38,919	5,738,246
Held to maturity investments	-	735,432	1,471,269	433,211	185,867	-	2,825,779
Other assets	-	-	-	-	-	287,452	287,452
Total assets	**12,848,575**	**7,882,974**	**16,110,988**	**14,845,847**	**5,073,262**	**9,244,016**	**66,005,662**
LIABILITIES							
Due to other banks	6,274,132	410,022	16,481	-	-	21,521	6,722,156
Customer deposits	18,806,772	10,213,704	2,107,868	12,361	380	5,683,645	36,824,730
Derivative financial liabilities	219,582	556,520	102,938	9,250	-	506,420	1,394,710
Debt securities issued	748,274	388,308	1,064,724	1,752,158	-	-	3,953,464
Funds borrowed	830,825	895,110	4,504,277	519,576	18,033	-	6,767,821
Other liabilities	-	-	-	-	-	2,298,763	2,298,763
Total liabilities	**26,879,585**	**12,463,664**	**7,796,288**	**2,293,345**	**18,413**	**8,510,349**	**57,961,644**
Total interest sensitivity gap	**(14,031,010)**	**(4,580,690)**	**8,314,700**	**12,552,502**	**5,054,849**	**733,667**	**8,044,018**

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

5.3.4 Foreign exchange risk

The Group evaluates its exposure for the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group enters into foreign currency forward transactions and swap transactions to decrease foreign currency position risk. The Group also engages in foreign currency and Eurobond buy-sell option transactions.

The position limit of the Group related to currency risk is determined according to the Foreign Currency Net Position Standard ratio determined by the BRSA.

Consolidated subsidiaries and associates determine position limit related with currency risk as determined by local regulatory bodies. Branches established abroad conduct their operations in local currencies of the countries they are incorporated in.

As of December 31, 2014, the Group's net foreign currency position, after including off-balance sheet position (notional values of derivatives) is TL 1,251,848 short.

The table summarizes the Group's assets and liabilities and equity at carrying amounts and derivatives at notional amounts categorized by currency.

December 31, 2014

ASSETS	**TL**	**USD**	**EUR**	**Other**	**Total**
Cash and balances with T.R. Central Bank(*)	1,503,293	4,312,403	1,088,222	1,760,007	8,663,925
Due from banks	282,549	260,405	54,213	16,454	613,621
Financial assets at FVTPL	46,095	8,537	379	-	55,011
Derivative financial assets	3,096,932	106,141	32,509	15,192	3,250,774
Loans and advances to customers	40,132,339	6,104,898	4,019,068	24,660	50,280,965
Factoring receivables	372,330	55,465	20,038	309	448,142
Finance lease receivables	620,258	336,944	572,758	7,166	1,537,126
Available for sale investments	3,959,990	1,193,974	276,577	-	5,430,541
Held to maturity investments	3,052,566	662,086	12,571	-	3,727,223
Investments in associates	170,273	-	-	-	170,273
Intangible assets	240,892	-	-	-	240,892
Property and equipment	1,489,618	-	-	10	1,489,628
Deferred tax assets	16,051	-	-	-	16,051
Other assets	934,381	26,707	6,975	16	968,079
Total assets	**55,917,567**	**13,067,560**	**6,083,310**	**1,823,814**	**76,892,251**
LIABILITIES					
Due to other banks	2,979,372	2,480,070	1,715,336	53,447	7,228,225
Customer deposits	26,973,750	8,805,821	3,990,928	806,805	40,577,304
Derivative financial liabilities	1,313,406	213,899	69,244	11,097	1,607,646
Debt securities issued	2,320,457	3,311,829	170,124	18,059	5,820,469
Funds borrowed	496,122	5,213,894	2,029,487	228,692	7,968,195
Deferred tax liabilities	20,127	-	-	-	20,127
Retirement benefit obligations	127,049	-	-	-	127,049
Current income taxes	175,964	-	-	-	175,964
Other liabilities	2,716,533	276,116	266,086	8,148	3,266,883
Total	**37,122,780**	**20,301,629**	**8,241,205**	**1,126,248**	**66,791,862**
Net on balance sheet position	**18,794,787**	**(7,234,069)**	**(2,157,895)**	**697,566**	**10,100,389**
Net off-balance sheet position	**(7,154,114)**	**6,616,915**	**1,456,668**	**(631,033)**	**288,436**
Net position including TL	**11,640,673**	**(617,154)**	**(701,227)**	**66,533**	**10,388,825**

(*)Cash and Balances with T. R. Central Bank Other include TL 1,747,613 (December 2013: TL 1,691,019) precious metal deposit account.

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

As of December 31, 2013, the Group's net foreign currency position, after including off-balance sheet position (notional values of derivatives) is TL 123,542 short.

December 31, 2013

ASSETS	TL	USD	EUR	Other	Total
Cash and balances with T.R. Central Bank(*)	887,792	3,101,207	2,509,420	1,710,065	8,208,484
Due from banks	9,751	318,668	218,045	40,031	586,495
Financial assets at FVTPL	208,028	9,207	1,136	-	218,371
Derivative financial assets	2,908,517	194,842	103,880	10,096	3,217,335
Loans and advances to customers	36,410,057	3,654,041	2,940,959	86,090	43,091,147
Factoring receivables	480,041	28,574	13,112	1,170	522,897
Finance lease receivables	468,293	254,032	586,056	1,075	1,309,456
Available for sale investments	4,672,806	944,532	120,908	-	5,738,246
Held to maturity investments	2,446,859	378,920	-	-	2,825,779
Property and equipment	554,654	-	-	63	554,717
Investments in associates	179,618	-	-	-	179,618
Intangible assets	210,771	-	-	-	210,771
Deferred tax assets	14,223	-	-	-	14,223
Other assets	812,283	35,672	320,017	22	1,167,994
Total	**50,263,693**	**8,919,695**	**6,813,533**	**1,848,612**	**67,845,533**
LIABILITIES					
Due to other banks	2,928,857	2,321,989	1,432,465	38,845	6,722,156
Customer deposits	26,007,956	6,825,955	3,112,776	878,043	36,824,730
Derivative financial liabilities	1,122,808	169,356	99,639	2,907	1,394,710
Debt securities issued	2,159,697	1,793,767	-	-	3,953,464
Funds borrowed	518,345	3,968,258	2,277,839	3,379	6,767,821
Deferred tax liabilities	24,494	-	-	-	24,494
Retirement benefit obligations	94,853	-	-	-	94,853
Current income taxes	103,500	-	-	-	103,500
Other liabilities	2,420,028	130,179	272,505	2,982	2,825,694
Total	**35,380,538**	**15,209,504**	**7,195,224**	**926,156**	**58,711,422**
Net on balance sheet position	**14,883,155**	**(6,289,809)**	**(381,691)**	**922,456**	**9,134,111**
Net off-balance sheet position	**(5,563,665)**	**5,873,797**	**632,638**	**(880,933)**	**61,837**
Net position including TL	**9,319,490**	**(416,012)**	**250,947**	**41,523**	**9,195,948**

(*)Cash and Balances with T. R. Central Bank Other include TL 1,691,019 (December 2012: TL 1,193,218) precious metal deposit account.

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% appreciation and depreciation in the TL against USD and EUR. The 10% rate is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates..

	Change in currency rate	Effect on net profit or loss		Effect on equity(*)	
		2014	2013	2014	2013
USD	10% increase	(57,054)	18,718	(61,630)	8,080
USD	10% decrease	57,054	(18,718)	61,630	(8,080)
EUR	10% increase	(43,349)	(21,290)	(43,303)	(21,578)
EUR	10% decrease	43,349	21,290	43,303	21,578

(*)Effect on equity also includes the effect of the change in foreign currency rates on statement of profit or loss.

5.4 Liquidity risk

Liquidity risk arises in the general funding of Finansbank's financing and trading activities and in the management of investment positions. It includes the risk of increases in funding costs and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

It reflects the potential mismatch of payment obligation to incoming payments, taking into account unexpected delays in repayments (term liquidity risk) or unexpectedly high payment outflows (withdrawal/ call risk). Liquidity risk involves both the risk of unexpected increases in the cost of the funding the portfolio of asset at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The primary objectives of Finansbank's asset and liability management are to ensure that sufficient liquidity is available to meet Finansbank's commitments to its customers in respect of repayment of deposits and ATM transactions, to satisfy Finansbank's other liquidity needs and to ensure compliance with capital adequacy and other applicable Central Bank regulations.

The ALCO is responsible for forming and overseeing the implementation of the asset and liability management strategy of Finansbank. The objective of Finansbank's asset and liability management strategy is to structure Finansbank's balance sheet in view of liquidity risk, maturity risk, interest rate risk and foreign exchange risk, while ensuring that Finansbank has adequate capital and is using capital to maximize net interest income.

The ALCO sets Finansbank's policies for interest rate levels and terms for loans and deposits and makes decisions regarding maturities and pricing of loans and deposits. In addition, members of the treasury department, including the group managers, managers, assistant managers and fixed income and foreign exchange traders, meet on a daily basis to monitor the risk exposure of Finansbank, particularly Finansbank's net foreign currency short position and the daily interest rate gap and duration.

Finansbank's treasury department is responsible for managing and implementing Finansbank's asset and liability positions on a day-to-day basis and ensuring the availability of funds for all of Finansbank's products and services distributed through Finansbank's branch network. The Treasury department measures and evaluates on a daily basis Finansbank's risk exposure and unfavorable changes in market conditions and regularly monitors the short-term mismatches between assets and liabilities.

Analysis of financial liabilities by remaining contractual maturities

The tables below show the Group's maturity distribution of certain financial liabilities, other than derivatives. The tables below are prepared by considering the contractual undiscounted cash flows expected on the nearest cash flow dates. The interest which will be paid at the maturity date is included in these tables. Interest payable for floating rate liabilities are determined by taking the latest rate and applying the same rate for all the future payments.

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

December 31, 2014	**Carrying Amount**	**Demand**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 yrs**	**Over 5 years**	**Total**
Due to other banks	7,228,225	19,172	5,929,939	1,045,065	41,426	-	-	7,035,602
Customer deposits	40,577,304	5,835,544	24,833,079	7,966,673	2,286,766	103,992	-	41,026,054
Debt securities issued	5,820,469	-	7,014	819,484	1,896,928	3,622,801	86,285	6,432,512
Funds borrowed	7,968,195	-	305,928	937,482	3,913,594	1,188,763	2,331,243	8,677,010
Other liabilities	2,740,187	-	2,046,402	117,971	108,685	467,129	-	2,740,187
Financial guarantees and lending commitments	9,160,409	3,281,374	636,342	900,716	2,893,493	1,398,108	29,299	9,139,332
Total	**73,494,789**	**9,136,090**	**33,758,704**	**11,787,391**	**11,140,892**	**6,780,793**	**2,446,827**	**75,050,697**

December 31, 2013	**Carrying Amount**	**Demand**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 yrs**	**Over 5 years**	**Total**
Due to other banks	6,722,156	21,521	5,889,185	799,467	16,891	-	-	6,727,064
Customer deposits	36,824,730	5,683,645	18,933,559	10,483,331	2,126,588	2,900	-	37,230,023
Debt securities issued	3,953,464	-	728,985	381,751	1,177,308	1,959,070	-	4,247,114
Funds borrowed	6,767,821	-	435,568	618,238	2,609,713	2,227,996	1,544,425	7,435,940
Other liabilities	2,298,763	-	1,744,931	109,930	151,237	292,665	-	2,298,763
Financial guarantees and lending commitments	7,118,412	3,064,783	328,402	587,544	2,166,381	776,362	175,541	7,099,013
Total	**63,685,346**	**8,769,949**	**28,060,630**	**12,980,261**	**8,248,118**	**5,258,993**	**1,719,966**	**65,037,917**

The tables below show the remaining maturities of derivatives:

December 31, 2014	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 years**	**Over 5 years**	**Total**
Forward Contracts Buy	1,850,523	974,118	900,707	98,925	-	3,824,273
Forward Contracts Sell	(1,856,558)	(976,448)	(896,663)	(97,530)	-	(3,827,199)
Interest Rate Swap Contracts Buy(*)	17,873	100,626	263,059	164,461	116,375	662,394
Interest Rate Swap Contracts Sell(*)	(29,083)	(63,936)	(352,849)	(277,120)	(482,919)	(1,205,907)
Currency Swap Contracts Buy	11,469,254	9,731,871	12,394,853	14,612,666	407,985	48,616,629
Currency Swap Contracts Sell	(11,400,714)	(9,636,060)	(11,901,185)	(14,875,690)	(494,567)	(48,308,216)
Futures Buy	14,514	2,933	2,223	-	-	19,670
Futures Sell	(14,514)	(2,933)	(2,223)	-	-	(19,670)
Options Buy	780,633	2,555,631	1,485,964	200,256	-	5,022,484
Options Sell	(785,687)	(2,550,382)	(1,496,097)	(211,551)	-	(5,043,717)
Credit Default Swaps Buy	-	-	-	-	-	-
Credit Default Swaps Sell	-	-	-	(417,402)	-	(417,402)
Total	**46,241**	**135,420**	**397,789**	**(802,985)**	**(453,126)**	**(676,661)**

December 31, 2013	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 years**	**Over 5 years**	**Total**
Forward Contracts Buy	1,620,526	745,984	1,373,474	100,451	-	3,840,435
Forward Contracts Sell	(1,622,199)	(749,966)	(1,367,453)	(97,417)	-	(3,837,035)
Interest Rate Swap Contracts Buy(*)	10,151	64,355	191,090	125,873	168,746	560,215
Interest Rate Swap Contracts Sell(*)	(13,287)	(56,638)	(242,022)	(217,787)	(545,639)	(1,075,373)
Currency Swap Contracts Buy	7,262,788	2,895,253	8,421,614	12,952,042	602,242	32,133,939
Currency Swap Contracts Sell	(7,423,915)	(2,901,274)	(8,104,195)	(12,996,044)	(694,046)	(32,119,474)
Futures Buy	255	17,832	3,404	-	-	21,491
Futures Sell	(255)	(17,832)	(3,404)	-	-	(21,491)
Options Buy	2,266,981	1,282,435	4,409,805	-	-	7,959,221
Options Sell	(2,266,008)	(1,292,245)	(4,356,996)	-	-	(7,915,249)
Credit Default Swaps Buy	-	-	-	-	-	-
Credit Default Swaps Sell	-	-	-	341,488	-	341,488
Total	**(164,963)**	**(12,096)**	**325,317**	**208,606**	**(468,697)**	**(111,833)**

(*)Interest rate swap transactions are settled in net amounts.

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

5.5 Fair values of financial assets and liabilities

a. Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at fair value and the fair value is different from the carrying amount.

	December 31, 2014				
Financial assets	**Carrying amount**	**Fair Value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Loans and advances to customers (Note 23)	50,182,189	-	-	49,934,444	49,934,444
Finance lease receivables	1,537,126	-	1,591,002	-	1,591,002
Held to maturity investments	3,727,223	3,278,951	601,425	-	3,880,376

	December 31, 2014				
Financial liabilities	**Carrying amount**	**Fair Value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Customer deposits	40,577,304	5,838,564	34,723,122	-	40,561,686
Debt securities issued	5,820,469	-	5,882,629	-	5,882,629
Funds borrowed	7,968,195	-	7,771,514	-	7,771,514

	December 31, 2013				
Financial assets	**Carrying amount**	**Fair Value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Loans and advances to customers (Note 23)	42,904,448	-	-	42,346,368	42,346,368
Finance lease receivables	1,309,456	-	1,336,795	-	1,336,795
Held to maturity investments	2,825,779	2,764,475	-	-	2,764,475

	December 31, 2013				
Financial liabilities	**Carrying amount**	**Fair Value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Customer deposits	36,824,730	5,684,645	31,159,067	-	36,843,712
Debt securities issued	3,953,464	-	3,917,552	-	3,917,552
Funds borrowed	6,767,821	-	6,288,945	-	6,288,945

The following methods and assumptions were used to estimate the fair values of the above financial instruments at December 31, 2014 and 2013 :

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

Loans and advances to customers and finance lease receivables: The fair value of loans and advances to customers and finance lease receivables with fixed interest rates is estimated using discounted cash flow models. The discount rates are based on current market interest rates offered for instruments with similar terms to the same borrowers or borrowers of similar credit quality. The carrying amount of floating rate loans is considered to approximate their fair values.

Customer deposits: The fair value of demand deposits is the payable amount at customer intention for withdrawal. The fair value of floating rated placements and the overnight deposits approximates their carrying amount. The fair value of fixed rate time deposits is calculated by discounting the expected future cash flows using the interest rate prevailing in the market.

Debt securities issued: Fair value is estimated using market prices, or if such are not available, using a discounted cash flow analysis, based on current market rates of similar maturity debt securities.

Funds borrowed: Fair value is estimated using market prices, or if such are not available, discounted cash flow analysis based on the Group’s current incremental borrowing rates for similar types of borrowing arrangements is used.

Held to maturity investments: Fair value is calculated using market prices.

b. Financial instruments measured at fair value

The tables below present the fair values of those financial assets and liabilities presented on the Group’s statement of financial position at fair value by fair value measurement level at December 31, 2014 and 2013, as described in Note 2.21. In 2013, The Group transferred loans and advances to customers from Level 2 to Level 3.

	December 31, 2014			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	48,394	6,617	-	55,011
Derivative financial assets	132	3,250,642	-	3,250,774
Loans and advances to customers designated at FVTPL (Note 23)	-	-	98,776	98,776
Available for sale investments [1]	5,396,402	25,987	-	5,422,389
Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial liabilities	47	1,607,599	-	1,607,646

[1] The amount excludes the equity investments of TL 8,152 measured at cost which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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

	December 31, 2013			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	210,002	8,369	-	218,371
Derivative financial assets	489	3,216,846	-	3,217,335
Loans and advances to customers designated at FVTPL (Note 24)	-	-	186,699	186,699
Available for sale investments [1]	5,724,160	5,934	-	5,730,094
Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial liabilities	168	1,394,542	-	1,394,710

[1] The amount excludes the equity investments of TL 8,152 measured at cost which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Level 3 Financial Instruments:

Level 3 financial instruments at December 31, 2014 include loans and advances to customers which are carried at fair value through profit or loss and which are valued using discounted cash flow valuation techniques incorporating unobservable credit spreads. The Bank conducts a review of fair value hierarchy classification on a quarterly basis. During the review loans at fair value through profit or loss were reclassified to Level 3.

Reconciliation of fair value measurements in Level 3:

	2014	2013
	Loans and advances to customers designated at FVTPL	**Loans and advances to customers designated at FVTPL**
Balance at January 1	**186,699**	**-**
Transfer into / (out of) level 3	-	356,007
Gain / (losses) included in statement of profit or loss	881	(15,446)
Gain / (losses) included in OCI	-	-
Purchases	-	-
Sales	-	-
Settlements	(88,804)	(153,862)
Balance at December 31	**98,776**	**186,699**

Quantitative Information about Level 3 Fair Value Measurements:

				Range of Inputs	
Financial Instrument	**Fair Value**	**Valuation Technique**	**Significant Unobservable Input**	**Low**	**High**
Loans and advances to customers designated at FVTPL	98,776	Discounted Cash Flows	Credit Spread	0 bps	1.876 bps

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

Sensitivity of Fair Value Measurement to changes in Unobservable Inputs:

Loans and advances to customers designated at FVTPL, the valuation includes a parameter which is not observable in the market i.e. the credit spread of the client. A reasonable increase in the respective credit spreads used would not have a significant effect to the fair value, for the Group.

5.6 Capital adequacy and credit ratings

The Group's capital base includes all types of regulatory eligible Own Funds, as these are defined by the BRSA, which differs from the total equity under IFRS. Among others, the Group's regulatory own funds include the share capital, the share premium account, the reserves, retained earnings, and subordinated debt issues.

The Group manages actively its capital base by taking advantage of the contemporary means for raising capital, with the objective to sustain its capital adequacy ratios well above the minimum regulatory levels and at the same time to improve the weighted average cost of capital to the benefit of its shareholders. In this framework, both the calculation of the capital requirements and the dynamic management of the capital base are embedded in the business plan and the annual budgeting processes, in accordance with the capital adequacy targets that have been set in the Group's Risk Strategy.

The Group's total capital ratio is calculated by dividing its Tier 1 capital, which comprises general provisions per its statutory financial statements and evaluation surplus, by the aggregate of its risk-weighted assets, risk-weighted off-balance sheet exposures, market and other risk provisions. In accordance with the BRSA guidelines the Group must, in general, maintain a total capital ratio in excess of 8%; however, if operations include activities in offshore regions, as is the case with Finansbank, the BRSA imposes 12%.

With the regulations published in the Official Gazette dated June 28, 2012, BRSA has introduced a Basel II based method for the Banking system. The Group's consolidated capital adequacy ratio is calculated as 16.90% in accordance with the related Communique as of December 31, 2014 (December 31, 2013: 17.16%).

The capital adequacy of the Group in accordance with the BRSA guidelines is as follows:

	December 31, 2014	**December 31, 2013**
Tier I capital	8,527,421	7,741,657
Tier II capital	2,838,169	2,461,535
Total capital	11,410,590	10,203,192
Deductions	(63,941)	(14,871)
Net total capital	11,346,649	10,188,321
Risk-weighted assets (including market & operational risk)	67,128,850	59,359,763
Capital adequacy ratios		
Tier I ratio	12.77%	13.04%
Total capital ratio	16.90%	17.16%

Credit ratings

The table below sets forth the credit ratings that have been assigned to the Bank by Moody's Investors Service Limited (referred to below as ‘‘Moody's’’) and Fitch Ratings Ltd. (referred to below as ‘‘Fitch’’). All credit ratings have been affirmed and/or upgraded as follows.

	Fitch March 2015	*Moody's February 2015*
Long-term foreign currency	BBB-	Ba2
Short-term foreign currency	F3	NP
Long-term local currency deposit	BBB-	Ba2
Short-term local currency deposit	F3	NP
National long-term national rating	AA+(tur)	–
Support	3	–
Bank financial strength	bbb-	E+ (b1)
Outlook	Stable	UR

6 Segment reporting

6.1 Operating segment

The Group has identified operating segments in a manner consistent with the internal reporting provided to the chief operating decision maker, the Board of Directors. The Group manages its business through the following business segments:

Retail banking

Retail banking includes individuals and micro enterprises. Finansbank's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits and investments and insurance products.

Corporate and commercial banking

Corporate and commercial banking include lending to all large and medium-sized companies. Finansbank's corporate and commercial banking activities include trade finance, traditional lending, SME banking, project finance, cash management, corporate syndication and secondary market transactions, deposits and the issuance of certificated debt instruments. Finansbank's SME banking activities consist primarily of revolving credit lines, installment loans, overdrafts, business housing loans and deposits.

The segment information below is presented on the basis used by the Board of Directors to evaluate performance. The Board of Directors reviews discrete financial information for each of its segments, including measures of operating results. The segments are managed primarily on the basis of their results, which are measured on a basis which is broadly consistent with the Summary of Significant Accounting Policies described in Note 2, with the exception of certain adjustments. Management considers that this information provides the most appropriate way of reviewing the performance of the business. The adjustments are as follows:

- **Fee income and expense:** Fees received and paid which are considered an integral part of the effective interest rate calculation are presented as ‘Net fee and commission income’ instead of “Net interest income” as under IFRS.
- **Recoveries on loans and advances to customers previously written-off:** The subsequent recovery on loan amounts previously written off are reported in “net other income” instead of as a reduction of the provision for loan losses as under IFRS.
- **Operating expenses:** Represents operating expenses which can not be attributed to the segment results of operations.
- **Other:** Adjustments included in other represent the unwinding of interest, which is not included in the provision for impairment losses in the segment results of operations, and other individually insignificant reclassifications.

Transactions between the business segments are on normal commercial terms and conditions.

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

Breakdown by business segment	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total**	**Reconciling Items**	**Total**
12 month period ended December 31, 2014						
External operating income	2,630,058	1,520,461	585,076	4,735,595	(229,246)	4,506,349
Net interest income	1,232,083	1,151,654	820,788	3,204,525	(12,322)	3,192,203
Net fee and commission income	1,067,346	294,426	35,211	1,396,983	(212,154)	1,184,829
Net other income	330,629	74,381	(270,923)	134,087	(4,770)	129,317
Revenues from other segments						
Total operating income	**2,630,058**	**1,520,461**	**585,076**	**4,735,595**	**(229,246)**	**4,506,349**
Total operating expenses	(1,457,569)	(799,335)	(186,708)	(2,443,612)	72,810	(2,370,802)
Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables	(623,561)	(396,105)	(80,825)	(1,100,491)	145,275	(955,216)
Profit before tax	**548,928**	**325,021**	**317,543**	**1,191,492**	**(11,161)**	**1,180,331**
Other Segment items						
Capital expenditure						1,183,830
Depreciation and amortization						56,171

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

Breakdown by business segment	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total**	**Reconciling Items**	**Total**
12 month period ended December 31, 2013						
External operating income	2,763,638	1,209,366	498,941	4,471,945	(47,510)	4,424,435
Net interest income	1,584,181	983,372	701,414	3,268,967	(127,615)	3,141,352
Net fee and commission income	899,240	150,043	37,475	1,086,758	(49,585)	1,037,173
Net other income	280,217	75,951	(239,948)	116,220	129,690	245,910
Revenues from other segments						
Total operating income	**2,763,638**	**1,209,366**	**498,941**	**4,471,945**	**(47,510)**	**4,424,435**
Total operating expenses	(1,431,893)	(731,191)	(219,761)	(2,382,845)	113,233	(2,269,612)
Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables	(823,328)	(517,646)	237,583	(1,103,391)	186,814	(916,577)
Profit before tax	**508,417**	**(39,471)**	**516,763**	**985,709**	**252,537**	**1,238,246**
Other Segment items						
Capital expenditure						300,828
Depreciation and amortization						168,129

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

6.2 Geographical information

The Bank and its subsidiaries operate principally in Turkey and Bahrain. As the operation results outside of Turkey are quite negligible in the consolidated results, no further geographical segment information is presented.

7 Net interest income

	12 month period ended December 31,	
	2014	**2013**
Interest earned on:		
Loans and advances to customers (*)	5,927,993	5,456,306
Securities	835,450	502,808
Trading securities	9,594	17,378
Available for sale investments	474,706	401,845
Held to maturity investments	351,150	83,585
Finance lease receivables	132,798	102,773
Factoring receivables	53,469	37,289
Due from banks	54,477	13,697
Interest income	**7,004,187**	**6,112,873**
Interest payable on:		
Customer deposits	(2,609,925)	(1,931,415)
Debt securities issued and funds borrowed	(926,835)	(887,568)
Due to other banks	(275,224)	(152,538)
Interest expense	**(3,811,984)**	**(2,971,521)**
Net interest income	**3,192,203**	**3,141,352**

(*) The amount also includes the interest income generated from impaired loans amounting to TL 88,348 for the year ended 2014 (2013: TL TL 204,405).

The Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on inflation rates of two months before. The Parent Bank determines the estimated inflation rates in line with this. Estimated inflation rate used is updated throughout the year as found necessary. In this context, as of December 31, 2014, estimated inflation rate used in valuation of such assets has been updated according to actual annual inflation rate of 8,96%. Had the above mentioned change in estimate related to those CPI linked securities had not been made, interest income would decrease by TL 68.778 and available for sale investment reverve under equity would increase by TL 14.855 after tax effect.

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

8 Net fee and commission income

	12 month period ended December 31,	
	2014	**2013**
Fee and commission income		
Banking	1,172,035	1,042,617
Brokerage and fund management	41,050	43,177
Other	9,463	7,595
Total	**1,222,548**	**1,093,389**
Fee and commission expense		
Banking	(32,960)	(51,467)
Other	(4,759)	(4,749)
Total	**(37,719)**	**(56,216)**
Net fee and commission income	**1,184,829**	**1,037,173**

9 Net trading income and results from investment securities

	12 month period ended December 31,	
	2014	**2013**
Gains / (losses) on foreign exchange	68,795	46,537
Unrealized gains / (losses) on interest rate instruments	(24,214)	9,229
Realized gains / (losses) on equity shares under FVTPL	1,495	(525)
Realized gains from investment securities	12,287	155,662
Unrealized gains / (losses) on securities designated at FVTPL	-	451
Total	**58,363**	**211,354**

10 Other operating income

Other operating income mainly consists of gain on liquidation of property held for resale, rent income and other operating income.

11 Personnel expenses

	12 month period ended December 31,	
	2014	**2013**
Wages and salaries	675,085	612,247
Social security costs	109,361	92,315
Bonuses and other fringe benefits	76,648	135,030
Pension costs: defined benefit plans (Note 12)	35,007	27,107
Other personnel related benefits	112,114	111,569
Total	**1,008,215**	**978,268**

The average number of employees of the Group during the year 2014 and 2013 was 14,659 and 14,296 , respectively. Other personnel related benefits include the cost of various benefits such as health insurance, subsidy and legal staff related costs.

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

12 Retirement benefit obligations

Defined benefit plans

In accordance with Turkish Labor Law, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 3,438.22 (full TL) as of December 31, 2014, (TL 3,254.44 (full TL) as of December 31, 2013) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2014, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the reporting date. As of December 31, 2014, retirement pay liability of the Bank and local subsidiaries are accounted based on the actuarial calculations performed by an independent actuary. The plan is unfunded and hence, there are no plan assets disclosed.

Amount recognized in the statement of profit or loss:

	12 month period ended December 31,	
	2014	**2013**
Current service cost	15,418	14,587
Interest cost on obligation	9,061	6,589
Settlement / curtailment / termination loss	10,528	5,931
Total charge	**35,007**	**27,107**

Defined benefit obligation in the statement of financial position:

	December 31, 2014	December 31, 2013
Present value of unfunded obligations	127,049	94,853
Total	**127,049**	**94,853**

Reconciliation of defined benefit obligation:

	2014	2013
Defined benefit obligation at January 1	94,853	89,300
Current service cost	15,418	14,587
Interest cost on obligation	9,061	6,589
Benefits paid directly by the Group	(23,541)	(15,935)
Settlement/ curtailment losses	10,528	5,931
Actuarial losses / (gains)	20,730	(5,619)
Disposal of subsidiary	-	-
Defined benefit obligation at December 31	**127,049**	**94,853**

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

Remeasurements	**December 31, 2014**	**December 31, 2013**
Liability gain/(loss) due to changes in financial assumptions	(19,992)	12,854
Liability experience gain/(loss) arising during the year	(745)	(7,235)
Other adjustements recognised in OCI	7	-
Total actuarial gain/(loss) recognised in OCI	**(20,730)**	**5,619**

The weighted average assumptions used to determine the net periodic pension costs for the year ended December 31, 2014 and 2013 are:

	December 31, 2014	**December 31, 2013**
Discount rate	8.30%	9.90%
Rate of compensation increase	7.00%	7.50%
Plan duration	17.40	16.91
Inflation rate	6.00%	6.50%

13 General and administrative expenses

	12 month period ended December 31,	
	2014	**2013**
Rent expenses	191,045	163,057
Utilities	241,789	229,434
Promotion and advertisement expenses	72,108	106,213
Third party remuneration expenses and fees	83,350	105,797
Credit card expenses	67,339	78,068
Duties and taxes other than on income	86,304	77,856
Audit, consulting and legal fees	76,148	55,706
Saving deposits insurance fund premiums	84,607	55,302
Withholding taxes and duties on loans granted	47,863	37,479
Stationary and other consumables	14,613	18,238
Traveling expenses	9,211	10,411
Subscriptions and contributions	8,510	7,297
Research expenses	3,087	4,525
Other administrative expenses	118,489	83,925
Total	**1,104,463**	**1,033,308**

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

14 Depreciation, amortization and impairment charges

	12 month period ended December 31,	
	2014	**2013**
Intangible assets (Note 30)	80,359	62,749
Property and equipment (Note 31)	136,530	105,380
Total	**216,889**	**168,129**

15 Impairment losses on loans and advances to customers, finance lease receivables, factoring receivables and other impairment charges

	12 month period ended December 31,	
	2014	**2013**
Impairment losses on loans and advances to customers (Note 23)	952,815	939,961
Impairment losses on finance lease receivables (Note 25)	13,167	18,096
Impairment losses on factoring receivables	6,253	4,242
Recovery	(83,120)	(117,344)
Other impairment charges	66,101	71,622
Total	**955,216**	**916,577**

16 Other operating expenses

	12 month period ended December 31,	
	2014	**2013**
Maintenance and other related expenses	50,912	33,263
Other provision charges	(10,064)	46,215
Total	**40,848**	**79,478**

17 Income tax expense

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return.

Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

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

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the period ended December 31, 2014. This rate was 20% for the period ended December 31, 2013 as well. Capital gains arising from the sale of real property, participation shares, redeemed shares, founders shares and preemptive rights owned for at least two years are exempt at a rate of 75% from corporate tax provided that such gains are reflected in the equity within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate applied in 2014 is 20%. (2013: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between April 1-25 following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

The details of income tax expense are as follows:

	12 month period ended December 31,	
	2014	**2013**
Current tax	(247,890)	(314,118)
Deferred tax benefit/(charge) (Note 31)	10,509	5,516
Adjustments to prior periods corporate taxes	7,201 (**)	68,544 (*)
Total	**(230,180)**	**(240,058)**
Profit before tax	**1,180,331**	**1,238,246**
Tax calculated based on the current tax rate of 20%	(236,066)	(247,649)
Effect of income not subject to taxation	15,949	13,495
Effect of expenses not deductible for tax purposes	(15,636)	(80,112)
Deferred tax on unused investment incentive	-	(6)
Other	(1,628)	5,670
Adjustments to Corporate Taxes	7,201	68,544
Income tax expense	**(230,180)**	**(240,058)**

(*) Corporate tax refund of 2012 in 2013.

(**) Corporate tax refund of 2013 in 2014.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for Turkish resident companies receiving dividends from who are also Turkish residents or Turkish branches of foreign companies. Income withholding tax applied between April 24, 2003 –July 22, 2006 is 10% and commencing from July 23, 2006, this rate has been changed to 15% upon the Council of Ministers’ Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

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

The Group offsets current tax assets and current tax liabilities separately for each entity considering the legally enforceable right to set off the recognized amounts. As of December 31, 2014, after the offsetting, the corporate tax payables is TL 175,964 (December 31, 2013, corporate tax payable amounting to TL 103,500) in the accompanying consolidated financial statements.

The advance corporate income tax rate applied in 2014 and 2013 is 20%.

18 Earnings per share

	December 31, 2014	December 31, 2013
Net profit attributable to equity holders of the parent	935,204	986,259
Net profit attributable to Finansbank ordinary shareholders	935,204	986,259
Adjusted weighted average number of ordinary shares outstanding	28,350,000,000	28,350,000,000
Basic and diluted earnings per share	0.0330	0.0348

The Bank decided to increase its share capital through bonus issue by way of the capitalization of its extraordinary reserves in 2014 and 2013.

The Group's weighted average number of ordinary shares outstanding for 2014 and 2013 has been adjusted as if the capital increase through bonus issue and the capital increase through rights issue in 2014 was made at the beginning of the earliest year presented. Accordingly for the purpose of earnings per share calculation, the weighted average number of ordinary shares outstanding is 28,350,000,000 for 2014 and 2013.

19 Cash and balances with T.R. Central Bank

	December 31, 2014	December 31, 2013
Cash in hand	839,594	1,047,840
Balances with T.R. Central Bank- Non-obligatory	692,125	499,765
Balances with T.R. Central Bank- Obligatory	7,132,206	6,660,879
Total	**8,663,925**	**8,208,484**

As of December 31, 2014, the reserve rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11.5% depending on the maturity of the deposits (December 31, 2013 – 5% to 11.5%) and the reserve rates for the foreign currency liabilities are within an interval from 6% to 13% depending on the maturity of the deposits (December 31, 2013 – 6% to 13%).

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

20 Due from banks

	December 31, 2014	December 31, 2013
Time deposits with banks	188,142	278,970
Demand deposit with banks	225,417	304,092
Securities purchased under agreements to resell	200,062	3,433
Total	**613,621**	**586,495**

The Group does not have any past due or impaired balances due from banks.

The effective interest rates applied for time deposits are 10.66 % for TL, 1.48 % for USD and 0.10% for EUR accounts (December 31, 2013 – 8.73% for TL, 0.21 % for USD and 1.46% for EUR).

The amount of collaterals given for derivative transactions as of December 31, 2014 and 2013 are TL 70,841 and TL 106,901, respectively.

21 Financial assets at fair value through profit or loss

	December 31, 2014	December 31, 2013
Foreign corporate bonds held for trading	6,617	8,369
Turkish corporate bonds held for trading	5,954	7,521
Turkish government bonds held for trading	35,016	192,235
Equity shares held for trading	5,549	6,819
Mutual funds held for trading	1,875	3,427
Total	**55,011**	**218,371**

22 Derivative financial instruments

December 31, 2014	Amount	Assets	Liabilities
Derivatives held for trading:			
Interest rate derivatives	27,568,123	1,042,125	(983,508)
Foreign exchange derivatives	24,014,735	219,903	(272,059)
Fair value hedging derivatives:			
Interest rate derivatives	10,195,115	1,481,995	(220,714)
Cash flow hedging derivatives:			
Interest rate derivatives	5,699,093	506,751	(131,365)
Total	**67,477,066**	**3,250,774**	**(1,607,646)**

December 31, 2013	Amount	Assets	Liabilities
Derivatives held for trading:			
Interest rate derivatives	17,653,942	965,076	(797,202)
Foreign exchange derivatives	20,838,204	324,464	(514,759)
Fair value hedging derivatives:			
Interest rate derivatives	8,829,483	1,549,169	(75,101)
Cash flow hedging derivatives:			
Interest rate derivatives	3,306,533	378,626	(7,648)
Total	**50,628,162**	**3,217,335**	**(1,394,710)**

The Group's derivative financial instruments mostly comprise of OTC derivatives.

Cash flow hedge accounting:

Deposits:

To avoid risk from the interest rate changes of deposits that have an average maturity of 1 month, the Group implements cash flow hedge accounting with interest rate swaps and cross currency swaps. The Group implements effectiveness tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Cash flow hedging reserve, net of tax", whereas the ineffective portions are accounted under net trading income / (expense) and results from investment securities in the statement of profit or loss as defined in IAS 39. As at the balance sheet date, swaps amounting to TL 1.057.388 are subject to hedge accounting as hedging instruments (December 31, 2013 – TL 169.643). As a result of the mentioned hedge accounting, the fair value losses from TL swaps before taxes amounting to TL 20,178 are accounted for under equity during the current period (December 31, 2013 – TL 15,383 gain). The gain amounting to TL 127 for year ended December 31, 2014 (December 31, 2013 – TL 5 gain) for the ineffective portions are accounted for at the statement of profit or loss. As at the balance sheet date, swaps amounting to USD 1.854 million are subject to hedge accounting as hedging instruments (December 31, 2013 – USD 1.470 million). As a result of the mentioned hedge accounting, fair value losses from USD swaps before taxes amounting to TL 142,668 are accounted for under equity during the current period (December 31, 2013 – TL 112,449 gain). The loss amounting to TL 245 for year ended December 31, 2014 (December 31, 2013 – TL 164 gain) for the ineffective portions are accounted for at the statement of profit or loss.

When the cash flow hedge accounting cannot be effectively continued as stated in IAS 39, the cash flow hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through statement of profit or loss until the maturity of swaps in case of ineffectiveness. The Bank transferred losses amounting to TL 2,399 from the equity to the statement of profit or loss due to the swaps that are matured or whose effectiveness deteriorated during the current period (December 31, 2013 – TL 4,684 loss).

Tangible Assets:

The Group applies cash flow hedge accounting to hedge its foreign currency cash flow from highly probable forecast sale of USD 93 million with through foreign currency liabilities. As at balance sheet date foreign exchange losses amounting to TL 10,136 (December 31, 2013 – None) have been accounted under other comprehensive income.

Fair value hedge accounting:

Loans:

The Group's fair value hedges principally consist of cross currency swaps that are used to hedge changes in the fair value of fixed-rate, long-term loans due to movements in market interest rates. The Group records fair value changes on derivatives and related hedged loans designated under fair value hedge under net trading income / (expense) and results from investment securities in the statement of profit or loss. As of balance sheet date; the mortgage loans amounting to TL 5.529.871 (December 31, 2013 – TL 5.098.190) were subject to hedge accounting by swaps with a nominal of TL 5.683.996 (December 31, 2013 – TL 6.557.217).For the year ended December 31, 2014 the Group recognized a gain of TL 201,225 (December 31, 2013 TL 542,082 loss) due to changes in fair value of hedged items (loans) relating to the hedged risk. This amount was offset by TL 165,139 (December 31, 2013 TL 536,942 gain) fair value loss on derivatives designated for fair value hedge accounting of loans and advances to customers.

When the fair value hedge accounting cannot be effectively continued as stated in IAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through statement of profit or loss until the maturity of the hedged loans. The Group has booked the amortization effect amounting to TL 26,429 loss (December 31, 2013 TL 59,199 loss) related to the loans that are ineffective for hedge accounting under "net trading income/(expense) and results from investment securities" as loss during the current period.

As of balance sheet date; the mortgage loans amounting to TL 5.529.871 (December 31, 2013 – TL 5.098.190) were subject to hedge accounting by swaps with a nominal of TL 5.683.996 (December 31, 2013 – TL 6.557.217). For the year ended December 31, 2014 the Group recognized in the statement of profit or loss TL 8,087 (December 31, 2013 TL 3,016 loss) of fair value gains recognized on hedged items. This amount was offset by fair value loss of TL 6,583 (December 31, 2013 TL 3,611 gains) on derivatives designated for fair value hedge accounting of a specific corporate loan, previously credit commitment.

Investment securities available for sale:

As at the balance sheet date; Eurobonds with a nominal of USD 301 million and EUR 70.8 million (December 31, 2013 – USD 333 million and EUR 26 million) were subject to hedge accounting by interest rate swaps with the same nominal value. For the year ended December 31, 2014 the Group recognized in the statement of profit or loss TL 97,880 (December 31, 2013 TL 100,381 loss) of fair value gains recognized on hedged items (available for sale investments, Eurobonds). This amount was offset by fair value loss of TL 97,948 (December 31, 2013 TL 100,155 gain) on derivatives designated for fair value hedge accounting of available for sale investments, Eurobonds.

As at the balance sheet date; government bonds with a nominal of TL 102.030 (December 31, 2013 – TL 198.305) were subject to hedge accounting by swaps with the same nominal value. For the year ended December 31, 2014 the Group recognized in the statement of profit or loss TL 934 (December 31, 2013 TL 12,760 loss) of fair value gains recognized on hedged items (available for sale investments, TL government bonds). This amount was offset by fair value loss of TL 1,019 (December 31, 2012 TL 14,013 gains) on derivatives designated for fair value hedge accounting of available for sale investments, TL government bonds.

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

Bonds issued:

As of the balance sheet date, bonds with nominal amount of USD 650 million (December 31, 2013 – USD 367 Million) have been subject to hedge accounting with the same nominal amount of swaps. For the year ended December 31, 2014 the Group recognized in the statement of profit or loss TL 10,438 (December 31, 2013 TL 7,044 loss) of fair value losses recognized on derivatives designated for fair value hedge accounting of bonds issued amount. This amount was offset by TL 10,377 (December 31,

2013 TL 7,034 gain) on hedged items.

Tangible Assets:

Until December 31, 2014, the Group has designated foreign currency liabilities of USD 399 million as hedging instrument in fair value hedge of e fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. Fair value gain of TL 60,269 on hedged item and fair value loss of TL 60,269 on hedging instrument have been reflected under net trading income / (expense) and results from investment securities in the statement of profit or loss. As of December 31, 2014, aforementioned hedge has been ceased and TL 60,269 of cumulative change in fair value included in carrying value of the hedged item will be amortised through the economic life of the real estate.

As of December 31, 2014, the effectiveness tests of abovementioned hedge relationships have been found to be effective.

23 Loans and advances to customers

	December 31, 2014	**December 31, 2013**
Loans and advances to customers at FVTPL	98,776	186,699
Loans and advances to customers at amortized cost	50,182,189	42,904,448
Total	**50,280,965**	**43,091,147**

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

December 31, 2014	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Neither past due nor impaired	25,023,569	6,819,634	7,165,680	5,302,123	44,311,006
Past due not impaired	73,080	1,180,644	1,454,721	602,027	3,310,472
Impaired-collective	1,513,995	646,701	1,032,241	26,368	3,219,305
Impaired-individual	1,390,206	-	-	-	1,390,206
Total Gross	**28,000,850**	**8,646,979**	**9,652,642**	**5,930,518**	**52,230,989**
Less: Allowance for impairment on loans and advances to customers	(651,108)	(498,576)	(792,891)	(7,449)	(1,950,024)
Loans and advances to customers	**27,349,742**	**8,148,403**	**8,859,751**	**5,923,069**	**50,280,965**

December 31, 2013	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Neither past due nor impaired	16,886,859	5,450,285	9,427,360	6,045,393	37,809,897
Past due not impaired	647,274	932,336	1,615,450	599,179	3,794,239
Impaired-collective	568,410	709,240	1,153,297	33,975	2,464,922
Impaired-individual	764,860	-	-	-	764,860
Total Gross	**18,867,403**	**7,091,861**	**12,196,107**	**6,678,547**	**44,833,918**
Less: Allowance for impairment on loans and advances to customers	(390,416)	(528,774)	(810,131)	(13,450)	(1,742,771)
Loans and advances to customers	**18,476,987**	**6,563,087**	**11,385,976**	**6,665,097**	**43,091,147**

Movement in allowance for impairment on loans and advances to customers:

2014	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Balance at January 1	**390,416**	**528,774**	**810,131**	**13,450**	**1,742,771**
Impairment losses on loans and advances to customers	256,993	262,184	434,817	(1,179)	952,815
Loans written off	(6,348)	(297,531)	(462,273)	(4,822)	(770,974)
Unwind of interest	10,047	5,149	10,216	-	25,412
Balance at December 31	**651,108**	**498,576**	**792,891**	**7,449**	**1,950,024**

2013	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Balance at January 1	**253,835**	**485,797**	**800,658**	**17,857**	**1,558,147**
Impairment losses on loans and advances to customers	255,151	245,555	439,060	195	939,961
Loans written off	(115,772)	(148,647)	(394,329)	(1,131)	(659,879)
Unwind of interest	(2,798)	(53,931)	(35,258)	(3,471)	(95,458)
Balance at December 31	**390,416**	**528,774**	**810,131**	**13,450**	**1,742,771**

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

The write-offs and recoveries by categories are as follows:

	12 month period ended December 31,	
	2014	**2013**
Write-offs(*)		
Credit cards	462,273	394,329
Mortgage and consumer loans	302,353	149,778
Corporate loans	6,348	115,772
Total write-offs	**770,974**	**659,879**
Recoveries		
Credit cards	48,613	80,096
Mortgage and consumer loans	38,931	28,338
Corporate loans	(4,424)	8,910
Total recoveries	**83,120**	**117,344**

(*)In current period, legally nonperforming loan receivables amounting to TL 826,299 have been sold for TL 136,150 cash and share from future collections whereas loan receivables amounting to TL 326,412, have been sold for TL 64,000.

Collateral and credit enhancements obtained during the year amount to TL 33,045 of residential, commercial or industrial property (December 31, 2013 – TL 55,795).

Level of ratings for loans and advances to customers that are neither past due nor impaired:

2014	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Debtor has a very strong financial structure	3,711,874	811,791	1,239,129	2,093,037	7,855,831
Debtor has a good financial structure	10,920,372	4,380,809	3,279,203	2,202,520	20,782,904
Debtor has a moderate financial structure	6,101,400	1,407,467	2,347,436	1,006,566	10,862,869
Debtor has a financial structure which needs attention in medium term	3,142,271	219,567	299,912	-	3,661,750
Not Rated	1,147,652	-	-	-	1,147,652
Total	**25,023,569**	**6,819,634**	**7,165,680**	**5,302,123**	**44,311,006**

2013	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Debtor has a very strong financial structure	2,482,534	596,154	1,545,658	1,995,918	6,620,264
Debtor has a good financial structure	10,187,468	3,393,425	4,844,918	2,610,584	21,036,395
Debtor has a moderate financial structure	2,994,865	1,375,203	2,634,396	1,438,891	8,443,355
Debtor has a financial structure which needs attention in medium term	613,275	85,503	402,388	-	1,101,166
Not Rated	608,717	-	-	-	608,717
Total	**16,886,859**	**5,450,285**	**9,427,360**	**6,045,393**	**37,809,897**

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

Ageing analysis of past due but not impaired loans and advances to customers per class of financial statements:

December 31, 2014	Less than 30 days	31-60 days	61-90 days	Total
Corporate	73,080	-	-	73,080
Consumer	818,264	259,684	102,696	1,180,644
Credit cards	1,131,600	235,306	87,815	1,454,721
Mortgage	373,817	152,058	76,152	602,027
Total	**2,396,761**	**647,048**	**266,663**	**3,310,472**

December 31, 2013	Less than 30 days	31-60 days	61-90 days	Total
Corporate	647,274	-	-	647,274
Consumer	634,507	203,841	93,988	932,336
Credit cards	1,273,719	253,360	88,371	1,615,450
Mortgage	365,379	154,804	78,996	599,179
Total	**2,920,879**	**612,005**	**261,355**	**3,794,239**

As of December 31, 2014, for the loans and advances to customers past due but not impaired, the Group has collaterals amounting to TL 1,246,402 which are received for the total exposure to the customers including past due exposures (December 31, 2013 TL 1,273,142). During the computation of the amount stated above, collaterals are capped with the maximum of the customers' risks.

The loans and advances to customers neither past due nor impaired are in satisfactory risk category.

Loans and advances to customers at fair value through profit or loss

Loans and advances to customers of the retail banking business have been designated at fair value through profit or loss as the Group manages these loans and advances to customers on a fair value basis in accordance with its investment strategy. Internal reporting and performance measurement of these loans and advances to customers are on a fair value basis.

The cumulative change in the fair value of these loans and advances to customers is set out below:

	December 31, 2014	December 31, 2013
Loans and advances at FVTPL	2,161	1,603

24 Factoring receivables

	December 31, 2014	December 31, 2013
No later than 1 year	460,384	528,886
Later than 1 year	-	-
Factoring receivables, gross	460,384	528,886
Less: Impairment Losses on factoring receivables	(12,242)	(5,989)
Total	**448,142**	**522,897**

Of the total aggregate amount of factoring receivables, collaterals that is held as at December 31, 2014 was TL 446,968 (December 31, 2013 - TL 521,030). During the computation of the collaterals amount stated above, collaterals are capped with the maximum of the customers' risks.

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

25 Finance lease receivables

	December 31, 2014	December 31, 2013
Not later than 1 year	817,457	708,114
Later than 1 year but not later than 5 years	1,012,469	843,440
Later than 5 years	32,806	14,799
Finance lease receivables, gross	**1,862,732**	**1,566,353**
Unearned future finance income on finance leases	(236,101)	(180,559)
Net investment in finance leases	**1,626,631**	**1,385,794**
Less: Impairment losses on finance lease receivables	(89,505)	(76,338)
Finance lease receivables	**1,537,126**	**1,309,456**

The net investment in finance lease receivables is analyzed as follows:

	December 31, 2014	December 31, 2013
Not later than 1 year	707,229	622,239
Later than 1 year but not later than 5 years	889,479	749,475
Later than 5 years	29,923	14,080
Total	**1,626,631**	**1,385,794**

Movements in impairment losses on finance lease receivables:

	2014	2013
Balance at January 1	**(76,338)**	**(58,242)**
Impairment losses on finance lease receivables	(13,167)	(18,096)
Receivables written off	-	-
Balance at December 31	**(89,505)**	**(76,338)**

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

Finance lease receivables

	December 31, 2014	December 31, 2013
Neither past due nor impaired	1,361,542	1,146,065
Past due not impaired	139,013	124,116
Impaired	126,076	115,613
Total Gross	**1,626,631**	**1,385,794**
Less: impairment losses on finance lease receivables	(89,505)	(76,338)
Finance lease receivables	**1,537,126**	**1,309,456**

As of December 31, 2014 and 2013 aging of past due but not impaired finance lease receivables are as follows;

	December 31, 2014	December 31, 2013
Between 1-30 days	84,579	64,859
Between 1-3 months	33,198	26,160
Between 3-12 months	12,339	20,086
Between 1-5 years	8,897	13,011
Total	**139,013**	**124,116**

Of the total aggregate amount of gross past due but not impaired finance lease receivables, the fair value of collaterals that is held as at December 31, 2014 was TL 127,076 (December 31, 2013 - TL 106, 064).

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

26 Available for sale investments

	December 31, 2014	December 31, 2013
Available-for-sale investment securities:		
Turkish government bonds and treasury bills	5,368,638	5,693,375
Corporate bonds	25,987	5,932
Debt securities	**5,394,625**	**5,699,307**
Equity shares	8,155	8,366
Mutual funds	27,761	30,573
Total available-for-sale investment securities	**5,430,541**	**5,738,246**

The movement of available for sale investments is summarized as follows:

	2014	2013
Balance at January 1	**5,738,246**	**7,161,283**
Additions within the year	3,467,262	12,681,008
Foreign exchange differences	84,950	-
Disposals (sale and redemption) within the year	(4,211,448)	(12,094,651)
Transfers to held to maturity investment securities	-	(1,631,085)
Amortisation of premiums/discounts	36,240	-
Gains / (losses) from changes in fair value	245,274	(442,108)
Accrual	70,017	63,799
Balance at December 31	**5,430,541**	**5,738,246**

27 Held to maturity investments

	December 31, 2014	December 31, 2013
Held to maturity investment securities:		
Turkish government bonds and treasury bills	3,149,672	2,472,661
Corporate bonds	577,551	353,118
Debt securities	**3,727,223**	**2,825,779**
Total held to maturity investment securities	**3,727,223**	**2,825,779**

The movement of held to maturity investments is summarized as follows:

	2014	2013
Balance at January 1	**2,825,779**	**-**
Additions within the year	607,445	1,166,482
Foreign exchange differences	46,597	-
Disposals (sale and redemption) within the year	-	-
Amortisation of premiums/discounts	197,500	-
Accruals	49,902	28,212
Transfers from available for sale investment securities	-	1,631,085
Balance at December 31	**3,727,223**	**2,825,779**

The Bank classified debt securities which were previously accounted under investment securities available-for-sale with carrying value amounting to TL 1,631,085 (TL1,307,569 , nominal) as investment securities held-to-maturity in the financial statements as a result of change in intention as of June 21, 2013.

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

28 Investments in joint ventures

	2014	2013
Balance at January 1	**179,618**	**202,192**
Additions	-	-
Group's share of profit/(loss) of joint ventures	(386)	(10,429)
Dividends received	(8,959)	(12,145)
Balance at December 31	**170,273**	**179,618**

The Group's joint ventures are as follows:

Name of joint ventures	Principal activity	Place of incorporation and operation	% of participation December 31, 2014	% of participation December 31, 2013
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	Security Services	Turkey	33.33%	33.33%
Cigna Finans Pension Fund (Cigna Finans)	Pension Fund	Turkey	49.00%	49.00%

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's material joint venture Cigna Finans is set out below:

Cigna Finans	31 December, 2014	31 December, 2013
Current Assets	256,227	229,365
Non-current assets	8,060	7,829
Current liabilities	115,219	104,359
Non-current liabilities	69,756	63,964
Equity	79,312	68,871

The above amounts of assests and liabilities include the following:

Cash and cash equivalents	137,321	127,440
Current financial liabilities (excluding trade and other payables and provisions)	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-

	2014	**2013**
Revenue	86,236	71,898
Profit for the year	27,125	11,628
Other comprehensive income for the year	(693)	-
Total comprehensive income for the year	**26,432**	**11,628**
Dividends received from the joint venture during the year	8,959	12,145
The above profit for the year include the following		
Interest income	20,474	6,858
Interest expense	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	December 31, 2014	**December 31, 2013**
Net assets of the joint venture	79,312	68,871
Proportion of the Group's ownership interest in the joint venture(*)	35,363	31,030
Goodwill	12,416	12,416
Purchase Price Allocation	148,397	148,397
Amortization of Purchase Price Allocation	(31,812)	(17,132)
Carrying amount of the Group's interest in the joint venture	**164,364**	**174,711**

(*) Dividend ratio in 2013 is different than the proportion of the Group’s ownership interest in the joint venture.

Aggregate information of joint ventures that are not individually material:

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş	**2014**	**2013**
The Group's share of profit for the year	1,001	1,006
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive income	1,001	1,006
Aggregate carrying amount of the Group's interest in the joint venture	**5,909**	**4,907**

The Group has no share of any contingent liabilities or capital commitments as at 31 December 2014 and 2013.

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

29 Intangible assets

Cost	Goodwill	Purchased software	Internally generated software	Total
December 31, 2013	**12,453**	**154,958**	**328,445**	**495,856**
Additions	-	23,096	87,391	110,487
Disposals and write offs	-	-	-	-
December 31, 2014	**12,453**	**178,054**	**415,836**	**606,343**
Accumulated amortization and impairment				
December 31, 2013	**(3,484)**	**(128,565)**	**(153,036)**	**(285,085)**
Amortization charge for the year	-	(16,277)	(64,082)	(80,359)
Transfers	-	(2)	-	(2)
Disposals and write offs	-	(5)	-	(5)
December 31, 2014	**(3,484)**	**(144,849)**	**(217,118)**	**(365,451)**
Net book value as of December 31, 2014	**8,969**	**33,205**	**198,718**	**240,892**

The goodwill arisen from prior year's acquisitions was assessed for impairment and no adjustment to its carrying value is required. There was no indication of impairment for the remaining intangible assets.

Cost	Goodwill	Purchased software	Internally generated software	Total
December 31, 2012	**12,453**	**140,892**	**250,727**	**404,072**
Additions	-	20,270	77,718	97,988
Disposals and write offs	-	(6,204)	-	(6,204)
December 31, 2013	**12,453**	**154,958**	**328,445**	**495,856**
Accumulated amortization and impairment				
December 31, 2012	**(3,484)**	**(116,383)**	**(102,863)**	**(222,730)**
Amortization charge for the year	-	(12,576)	(50,173)	(62,749)
Transfers	-	(2)	-	(2)
Disposals and write offs	-	396	-	396
December 31, 2013	**(3,484)**	**(128,565)**	**(153,036)**	**(285,085)**
Net book value as of December 31, 2013	**8,969**	**26,393**	**175,409**	**210,771**

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

30 Property and equipment

Cost	Land &Buildings	Vehicles & Equipment	Leasehold Improvements	Total
December 31, 2013	**163,247**	**816,611**	**387,656**	**1,367,514**
Additions	983,797	70,540	19,006	1,073,343
Fair value adjustment(*)	60,269	-	-	60,269
Transfers(**)	(78,165)	-	(2,813)	(80,978)
Disposals and write offs		(1,437)	(1,150)	(2,587)
At December 31, 2014	**1,129,148**	**885,714**	**402,699**	**2,417,561**
Accumulated depreciation and impairment				
December 31, 2013	**(33,955)**	**(548,783)**	**(230,059)**	**(812,797)**
Depreciation charge for the year	(16,755)	(76,487)	(43,288)	(136,530)
Transfers	16,913	-	1,554	18,467
Disposals and write offs	450	1,615	409	2,474
Impairment charge	453	-	-	453
December 31, 2014	**(32,894)**	**(623,655)**	**(271,384)**	**(927,933)**
Net book value as of December 31, 2014	**1,096,254**	**262,059**	**131,315**	**1,489,628**

Cost	Land &Buildings	Vehicles & Equipment	Leasehold Improvements	Total
December 31, 2012	**160,835**	**681,814**	**326,397**	**1,169,046**
Additions	2,412	139,079	61,349	202,840
Disposals and write offs	-	(4,282)	(90)	(4,372)
At December 31, 2013	**163,247**	**816,611**	**387,656**	**1,367,514**
Accumulated depreciation and impairment				
December 31, 2012	**(31,196)**	**(487,536)**	**(192,123)**	**(710,855)**
Depreciation charge for the year	(2,054)	(65,379)	(37,947)	(105,380)
Disposals and write offs	-	4,132	11	4,143
Impairment charge	(705)	-	-	(705)
December 31, 2013	**(33,955)**	**(548,783)**	**(230,059)**	**(812,797)**
Net book value as of December 31, 2013	**129,292**	**267,828**	**157,597**	**554,717**

(*)Until December 31, 2014, the Parent Bank has designated fair value hedge accounting through foreign currency fundings to be hedged from fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. As of December 31, 2014, aforementioned hedge has been ceased and TL 60.269 fair value foreign currency gain will be amortised through the economic life of the real estate. As of December 31, 2014, the effectiveness tests of abovementioned hedge relationships have been found to be effectiv.

(**)As of December 31, 2014, The Bank has re-classified its real estate property with a net book value of TL 62,511 from Property and equipment to Assets held for Sale.

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

31 Deferred tax assets and liabilities

	December 31, 2014		December 31, 2013	
	Deferred tax		Deferred tax	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Loans and advances to customers	10,831	113,058	8,788	107,865
Deferred commission income	-	(29,381)	-	(40,252)
Plastic card bonus provisions	-	(483)	-	(2,012)
Employee termination benefits	362	(23,684)	268	(17,713)
Vacation pay liability and bonus accrual	891	(17,279)	885	(24,948)
Unused investment incentive certificate	-	-	-	-
Other temporary differences	3,996	1,482	2,614	(17,958)
Securities and derivatives	(29)	(55,531)	1,668	(9,749)
Economic life of property and equipment	-	31,945	-	29,261
Total deferred tax assets/(liabilities)	**16,051**	**20,127**	**14,223**	**24,494**

The Group has offset the deferred tax assets and deferred tax liabilities on an entity by entity basis where there is a legally enforceable right to set off the recognized amounts i.e. where a taxpayer may offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Movement of net deferred tax asset / (liability) is presented as follows:

	2014	**2013**
Deferred tax asset / (liability) at January 1	**(10,271)**	**(92,699)**
Loans and advances to customers	(3,150)	77,336
Deferred commission income	(10,871)	6,878
Plastic card bonus provisions	(1,529)	790
Employee termination benefits	2,145	2,068
Vacation pay liability and bonus accrual	(7,663)	7,328
Unused investment incentive certificate	-	(6)
Other temporary differences	(18,058)	30,855
Securities and derivatives	52,320	(117,179)
Economic life of property and equipment	(2,685)	(2,554)
Deferred tax recognized in statement of profit or loss	**10,509**	**5,516**
Deferred tax recognized in other comprehensive income	(4,315)	76,912
Deferred tax asset / (liability) at December 31	**(4,077)**	**(10,271)**

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

Deferred tax recognized in other comprehensive income

	December 31, 2014	December 31, 2013
Arising on income and expenses recognized in other comprehensive income:		
Fair value measurement of available-for-sale investments	(49,055)	88,422
Fair value measurement of cash flow hedges	34,596	(25,566)
Actuarial gains / (losses) related to employee benefits	3,920	(1,086)
Arising on income and expenses reclassified from equity to profit or loss:		
Relating to available-for-sale investments	6,704	16,079
Relating to cash flow hedges	(480)	(937)
Total deferred income tax recognized in other comprehensive income	**(4,315)**	**76,912**

32 Information on assets held for sale

As of December 31, 2014, The Bank has re-classified its real estate property with a net book value of TL 65,11 from Tangible Assets to Assets held for Sale.

The auction regarding the sale of the Bank’s Gayrettepe Headquarter Building on Istanbul, Şişli, Mecidiyeköy, map section 307, Isle 1997, Parcel 41 has been approved by the Board of Directors and a “Real Estate Sale Contract” has been signed by both parties. The building in question will be sold for USD 65.250.000. The deed transfer will take place no later than March 25, 2015 after the conditions on the contract are fulfilled. Also, as a result of the auction regarding the sale of the floors in Akmerkez, the Group will receive an amount of USD 19.670.000.

The auction regarding the sale of the Bank’s Gayrettepe Headquarter Building on Istanbul, Şişli, Mecidiyeköy, map section 307, Isle 1997, Parcel 29 has been approved by the Board of Directors. It is decided to be sold for USD 28.000.000.

In addition it has been decided that floors owned by the Group in Akmerkez will be sold for USD 19.670.000.

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

33 Other assets

	December 31, 2014	December 31, 2013
Prepaid expenses	350,066	289,357
Checks clearance account	254,690	188,161
Assets acquired through foreclosure proceedings	138,126	163,590
Trade receivables	77,424	88,545
Receivables from asset sales	31,294	39,219
VAT and other recoverable taxes	719	158
Receivables related to mutual fund sales	-	10,746
Advances given to fixed asset suppliers	-	296,587
Other	50,649	91,631
Total other assets	**902,968**	**1,167,994**

34 Due to other banks

	December 31, 2014	December 31, 2013
Time deposits due to credit institutions	3,103,556	2,986,316
Interbank deposits	59,336	112,224
Demand deposits due to credit institutions	17,791	21,521
Securities sold under agreements to repurchase	4,047,542	3,602,095
Total due to other banks	**7,228,225**	**6,722,156**

35 Customer deposits

	December 31, 2014	December 31, 2013
Deposits:		
Individuals	25,661,848	23,210,459
Corporate	14,404,700	11,840,608
Government and agencies	405,090	1,707,896
Total deposits	**40,471,638**	**36,758,963**
Securities sold to customers under agreements to repurchase	105,666	65,767
Total customer deposits	**40,577,304**	**36,824,730**

36 Debt securities issued

	December 31, 2014	December 31, 2013
Corporate bonds - fixed rate	3,237,618	3,953,464
Corporate bonds- floating rate	2,582,851	-
Total debt securities issued	**5,820,469**	**3,953,464**

Effective interest rates of debt securities are as follows:

	USD	TRY	EUR
Corporate bonds - fixed rate	5.63%	12.51%	-
Corporate bonds- floating rate	3.74%	10.02%	4.03%

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

The financial terms of the major debt securities in issue as of 31 December 2014, are as follows:

Type	Issue date	Maturity date	Currency	Nominal amount in million	Own held by the Group (nominal amount in million)	Interest rate
Senior Unsecured Notes	11 May 2011	11 May 2016	USD	500,000	71,227	Paid semi-annually at fixed interest rate of 5,5%
Eurobond Fixed Rate Notes	1 November 2012	1 November 2017	USD	350,000	28,841	Paid semi-annually at fixed interest rate of 5,15%
Floating Rate Bonds	9 April 2014	6 March 2015	TL	311,142	77,530	Paid quarterly Dibs plus 1,15%
Senior Unsecured Notes	25 April 2014	25 April 2019	USD	500,000	24,186	Paid semi-annually at fixed interest rate of 6,25%
Floating Rate Bonds	4 June 2014	30 April 2015	TL	222,732	49,395	Paid quarterly Dibs plus 1,15%
Floating Rate Bonds	3 September 2014	4 September 2015	TL	203,605	71,378	Paid quarterly Dibs plus 1,00%
Floating Rate Bonds	1 October 2014	2 October 2015	TL	138,458	24,808	Paid quarterly Dibs plus 1,20%
Floating Rate Bonds	10 November 2014	8 May 2015	TL	383,780	2,000	Principal amount and interest will be paid at maturity at floating interest rate of Dibs plus 1,10%
Floating Rate Bonds	14 November 2014	13 February 2015	TL	142,100	-	Principal amount and interest will be paid at maturity at floating interest rate of Dibs plus 0,80%
Floating Rate Bonds	18 November 2014	13 February 2015	TL	148,435	17,003	Principal amount and interest will be paid at maturity at floating interest rate of Dibs plus 0,60%
Floating Rate Bonds	21 November 2014	20 February 2015	TL	125,565	-	Principal amount and interest will be paid at maturity at floating interest rate of Dibs plus 0,80%
Floating Rate Bonds	4 December 2014	30 April 2015	TL	300,000	5,757	Principal amount and interest will be paid at maturity at floating interest rate of Dibs plus 0,60%
Floating Rate Bonds	8 December 2014	8 April 2015	TL	108,200	-	Principal amount and interest will be paid at maturity at floating interest rate of Dibs plus 0,80%
Floating Rate Bonds	24 December 2014	27 November 2015	TL	243,680	1,241	Principal amount and interest will be paid quarterly at floating interest rate of Dibs plus 1,20%

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

Major debt securities in issue redeemed or repurchased in 2014, are as follows:

Type	Issue date	Redemption date	Currency	Nominal amount in million
Fixed Rate Bonds	19 April 2013	24 April 2014	TL	124,188
Fixed Rate Bonds	11 October 2013	10 January 2014	TL	750,000
Fixed Rate Bonds	25 October 2013	4 February 2014	TL	150,000
Fixed Rate Bonds	25 November 2013	7 March 2014	TL	244,585
Fixed Rate Bonds	12 December 2013	11 April 2014	TL	899,136
Fixed Rate Bonds	24 December 2013	18 April 2014	TL	116,190
Fixed Rate Bonds	11 February 2014	9 May 2014	TL	243,776
Fixed Rate Bonds	28 February 2014	30 May 2014	TL	170,500
Fixed Rate Bonds	16 April 2014	16 July 2014	TL	186,860
Fixed Rate Bonds	30 April 2014	3 October 2014	TL	500,000
Fixed Rate Bonds	12 May 2014	11 August 2014	TL	295,240
Fixed Rate Bonds	30 May 2014	29 August 2014	TL	217,810
Fixed Rate Bonds	24 June 2014	19 September 2014	TL	125,332
Floating Rate Bonds	16 July 2014	15 October 2014	TL	147,530
Floating Rate Bonds	11 August 2014	10 November 2014	TL	210,200
Floating Rate Bonds	29 August 2014	28 November 2014	TL	222,600
Floating Rate Bonds	23 September 2014	19 December 2014	TL	123,690

37 Funds borrowed

	December 31, 2014	December 31, 2013
Subordinated loans - floating rate	2,121,712	1,950,719
Secured loan - fixed rate	-	-
Secured loan - floating rate	-	337,882
Other	5,846,483	4,479,220
Total funds borrowed	**7,968,195**	**6,767,821**

On April 24, 2008, a subordinated loan agreement amounting to USD 650 million was signed with NBG,the majority shareholder of the Bank and the first tranche of the loan amounting USD 200 million was withdrawn on April 29, 2008. The remaining USD 450 million represented two tranches of USD 250 million and USD 200 million, respectively, and was withdrawn on October 30, 2008. The maturity date of each tranche is 10 years subsequent to the date of withdrawal whereas at the end of the fifth year of every single tranche there is an option of prepayment. The applicable interest is fixed as 6 months' LIBOR plus 2.70% for the first tranche. Interest on the second and third tranches is 6 months' LIBOR plus the Turkish 5 years sovereign average CDS per annum, whereby the Turkish 5 years sovereign average CDS per annum is capped at a maximum of 3.70%. Interest is paid semi-annually on both tranches and the principal is due on the maturity dates. On July 19, 2010 Finansbank repaid part of this subordinated loan, amounting to USD 325 million.

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

On October 8, 2009, the Bank obtained a subordinated loan from NBG. of USD 200 million. The loan bears until (and including) the optional prepayment date interest at Libor plus 3.20% per annum and thereafter, interest at Libor plus 3.70% per annum. The loan matures on October 7, 2019, with an optional repayment date on October 7, 2014. On December 19, 2013, the Bank extended the final maturity of the loan by two years.

On December 30, 2009, a subordinated loan agreement amounting to USD 125 million was signed withNBG. The maturity date of the loan is 10 years from the date of disbursement, with an option to prepay the loan on the date that is five years from the date of disbursement. Interest is paid semi-annually and the principal is due on the maturity date. On December 19, 2013, the Bank extended the final maturity of the loan by two years.

On December 20, 2011, the Bank obtained a subordinated loan amounting to USD 260.0 million from NBG. The maturity date of the loan is 10 years from the date of disbursement, with an option to prepay the loan on the date that is five years from the date of disbursement. Interest is paid semi-annually and the principal is due on the maturity date.

On November 26, 2014, the Bank entered into a one-year syndicated loan facility with 26 banks in the amounts of USD 397.0 million and EUR 356.0 million.

Other funds mainly include bilateral borrowings of Finansbank amounting to EUR 513.0 million, USD 1282.8 million and TL 123.2 million, borrowings of Finans Leasing amounting to EUR 198.9 million, USD 137.1 million and TL 168.7 million, borrowings of Finans Factoring amounting to EUR 3.7 million, USD 12.1 million and TL 202.8 million and borrowings of Finans Invest amounting to TL 11.0 million.

38 Other Provisions

The movement of other provisions is summarized as follows:

2014	**Provision for credit card bonus payments**	**Provision for guarantees**	**Other**	**Total**
Balance at January 1	**20,138**	**85,132**	**63,763**	**169,033**
Charge for the year	11,760	12,076	15,616	39,452
Utilized	(19,403)	(6,025)	(47,789)	(73,217)
Balance at December 31	**12,495**	**91,183**	**31,590**	**135,268**

2013 As restated	**Provision for credit card bonus payments**	**Provision for guarantees**	**Other**	**Total**
Balance at January 1	**16,187**	**86,282**	**62,377**	**164,846**
Charge for the year	34,760	22,417	41,939	99,116
Utilized	(30,809)	(14,520)	(40,553)	(85,882)
Balance at December 31	**20,138**	**94,179**	**63,763**	**178,080**

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

Provision for credit card bonus payments includes the provisions for promotion expenses of credit cards.

Provision for credit card bonus payments includes the provisions for promotion expenses of credit cards.

Provision for guarantees includes the specific provision for guarantees or the loans which were written off from balance sheet.

Other provisions include other miscellaneous provisions as of December 31, 2014.

39 Other liabilities

	December 31, 2014	**December 31, 2013**
Payables for credit card settlements	1,258,325	1,107,937
Blocked accounts	467,129	292,665
Checks payable	461,909	375,068
Clearance checks	256,183	194,501
Taxes payable - other than income taxes	121,372	106,429
Creditors and suppliers	117,971	109,930
Payroll related accruals	96,886	136,047
Credit cards payable	69,985	67,425
Collaterals received	62,217	38,832
Accrued expenses and deferred income	40,168	62,366
Legal fees payable	11,799	15,190
Other	167,671	141,224
Total other liabilities	**3,131,615**	**2,647,614**

40 Contingent liabilities and commitments

a. Pending tax inspections

The tax authorities have not yet audited all subsidiaries for certain financial years and accordingly their tax obligations for those years may not be considered final. Additional taxes and penalties may be imposed as a result of such tax audits; although the amount cannot be determined at present, it is not expected to have a material effect on the Group's net assets.

b. Credit commitments

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

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

The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

	December 31, 2014	December 31, 2013
Letters of guarantee	7,414,727	5,940,576
Acceptance credits	912,287	609,831
Letters of credit	812,318	548,606
Other guarantees	21,077	19,399
Total non-cash loans	**9,160,409**	**7,118,412**
Other commitments	12,093,253	8,599,738
Credit card limits	16,834,644	17,105,176
Total commitments	**38,088,306**	**32,823,326**

c. Assets pledged as collaterals

	December 31, 2014	December 31, 2013
Reserve deposits with T.R. Central Bank	7,132,206	6,660,879
Securities given as collateral	1,097,147	519,163
Blocked placements at foreign banks	1,002	1,528
Total	**8,230,355**	**7,181,570**

d. Operating lease commitments

	December 31, 2014	December 31, 2013
No later than 1 year	167,719	160,508
Later than 1 year and no later than 5 years	488,601	486,839
Later than 5 years	183,398	237,397
Total operating lease commitments	**839,718**	**884,744**

e. Transferred financial assets

As at December 31, 2014 the carrying amount of transferred financial assets, which have been transferred but are subject to continued recognition in full and the associated recognized liabilities are presented in the table below:

	December 31, 2014	
	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities sold under agreements to repurchase	4,420,739	4,153,208
Total	**4,420,739**	**4,153,208**

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

	December 31, 2013	
	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities sold under agreements to repurchase	4,014,071	3,667,862
Total	**4,014,071**	**3,667,862**

As at December 31, 2014 carrying amount of available for sale, held to maturity and trading securities sold under agreements to repurchase are TL 2,855,835 (31 December 2013:TL 2,264,159), TL 1,554,089 (31 December 2013:TL 1,611,424) and TL 10,815 (31 December 2013:TL 138,488) respectively.

f. Assets under Management

The Group manages eight exchange traded funds (31 December 2013: eight) with total fund value of TL 148,422 (31 December 2013: 124,102), twenty five mutual funds (31 December 2013: twenty three) with total fund value of TL 655,688 (31 December 2013: 457,481), nine pension funds 31 December 2013: nine) with total fund value of TL 474,732 (31 December 2013: 367,113) and one hedge fund 31 December 2013: one) with total fund value of TL 1,072 (31 December 2013: 18,266) which were established under the regulations of the Turkish Capital Markets Board. In accordance with the funds' charters, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

41 Share capital issued

Share capital	Number of shares	Amount TL
January 1, 2013	**25,650,000,000**	**2,565,000**
Increase of share capital	1,350,000,000	135,000
December 31, 2013	**27,000,000,000**	**2,700,000**
Increase of share capital	1,350,000,000	135,000
December 31, 2014	**28,350,000,000**	**2,835,000**

The Bank's share capital is composed of 28,350,000,000 ordinary shares. According to the Board of Directors decision dated September 16, 2014, it has been decided that 100 founder shares issued to NBG in accordance with the 10th close of the Bank's Articles of Associates will be canceled at no cost. Subject decision has been approved during the General Council Meeeting dated December 4, 2014.

On June 24, 2014, the paid in capital of the Bank increased from TL 2,700,000 to TL 2,835,000 within the registered capital ceiling. The increase was made through capitalization of extraordinary reserves in the amount of TL 135,000.

On June 25, 2013, the paid in capital of the Bank increased from TL 2,565,000 to TL 2,700,000 within the registered capital ceiling. The increase was made through capitalization of extraordinary reserves in the amount of TL 135,000.

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

42 Reserves and retained earnings

2014	Legal Reserves	Other Capital Reserves and Retained Earnings	Total
Balance at January 1	**361,245**	**6,064,843**	**6,426,088**
Issue of share capital	-	(135,000)	(135,000)
Transfer from retained earnings	45,117	(45,117)	-
Disposal of subsidiaries/associates	-	-	-
Profit for the year	-	935,204	935,204
Balance at December 31	**406,362**	**6,819,930**	**7,226,292**

2013	Legal Reserves	Other Capital Reserves and Retained Earnings	Total
Balance at January 1	**316,931**	**5,255,607**	**5,572,538**
Effect of changes in accounting policy (Note 2)		1,631	1,631
As restated	**316,931**	**5,257,238**	**5,574,169**
Issue of share capital	-	(135,000)	(135,000)
Transfer from retained earnings	44,314	(44,314)	-
Disposal of subsidiaries/associates	-	660	660
Profit for the year	-	986,259	986,259
Balance at December 31	**361,245**	**6,064,843**	**6,426,088**

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 profit at the rate of 5%, until the total reserve reaches a maximum of 20% of the Bank'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.

Movements of Unrealized Gains/Losses on Available for Sale Investments, Net of Tax

	2014	2013
Balance at January 1	**(221,103)**	**196,898**
Net change in fair value	245,274	(442,108)
Net amount transferred to profit or loss	(33,520)	(80,393)
Tax effect of net gains/losses on AFS (Note 32)	(42,351)	104,500
Total	**(51,700)**	**(221,103)**

Movements of Cash Flow Hedges, Net of Tax

	2014	2013
Balance at January 1	**95,987**	**(10,026)**
Net change in fair value	(172,981)	127,832
Net amount transferred to profit or loss	2,399	4,684
Tax effect of net gains/losses on cash flow hedges	34,116	(26,503)
Total	**(40,479)**	**95,987**

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

43 Dividends

The dividends declared and paid by the Group, on its shares with respect to the profits for the prior periods indicated; are as follows:

	2013	**2012**
Dividends in the form of bonus shares	135,000	128,250

Each of the foregoing amounts was distributed in the subsequent periods.

44 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of the following balances;

	December 31, 2014	**December 31, 2013**
Cash and balances with T.R. Central Bank	2,441,259	1,800,645
Cash on hand	839,594	1,047,840
Balances with T.R Central Bank	1,601,665	752,805
FVTPL with original maturities of less than three months	222	136
Due from banks with original maturities of less than three months	596,751	578,950
Total cash and cash equivalents	**3,038,232**	**2,379,731**

45 Related - party balances and transactions

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at December 31, 2014 and 2013 are presented below. a. Balances and transactions with members of the Board of Directors and the key management of the Group

The Group entered into banking transactions with members of the Board of Directors and key management of the Bank and other Group companies, as well as with the close members of family and entities controlled or jointly controlled by those persons, in the normal course of business. The list of the members of the Board of Directors of the Bank is shown under Note 1 General Information.

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

	December 31, 2014	December 31, 2013
Assets		
Loans and advances to customers	-	-
Liabilities		
Customer deposits	16,181	12,465

	12 month period ended December 31	
	2014	2013
Statement of profit or loss		
Interest income	-	-
Fee and commission income	3	1
Interest expense	669	883

Compensation of the members of the Board of Directors and the key management of the Group

The members of Board of Directors and management received remuneration and benefits totaling approximately TL 50,663 as of December 31, 2014, (December 31, 2013 – TL 49,823) comprising mainly of salaries and other short-term benefits.

b. Balances and transactions with shareholders

	December 31, 2014	December 31, 2013
Assets		
Due from banks	1,601	538
Derivative financial assets(*)	-	768
Liabilities		
Due to other banks	17,267	19,690
Derivative financial liabilities(*)	10,321	9,013
Funds borrowed- Subordinated loans(**)	2,121,712	1,950,719
Funds borrowed-Other(**)	314,370	451,838

	12 month period ended December 31,	
	2014	2013
Statement of profit or loss		
Interest income	-	-
Fee and commission income	-	1
Interest expense	120,656	99,339
Fee and commission expense	1,247	1,874
Net trading income and results from investment securities	(5,336)	22,644

(*) The amounts refer to fair values of the derivative transactions presented at the consolidated statement of financial position as of the balance sheet date.
(**) Please refer to Note 36.

The Group has not pledged any guarantees for the above transactions.

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

c. Other related party (other companies of NBG Group) balances and transactions

Transactions between the other related parties are as follows:

	December 31, 2014	December 31, 2013
Assets		
Due from banks	781	1,274
Loans and advances to customers	-	-
Derivative financial assets (*)	4,515	6,425
Liabilities		
Due to other banks	4,446	8,929
Customer deposits	-	-
Funds borrowed	-	-
Letters of guarantees	-	-
Derivative financial liabilities (*)	-	-

	12 month period ended December 31,	
	2014	**2013**
Statement of profit or loss		
Interest income	48	119
Fee and commission income	349	449
Interest expense	-	-
Net trading income and results from investment securities	1,070	1,366

(*) The amounts refer to fair values of the derivative transactions presented at the consolidated statement of financial position as of the balance sheet date.

d. Balances and transactions with subsidiaries

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank have been eliminated on consolidation and are not disclosed in this note.

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

46 Group consolidated companies

		% Participation	
Name	**Place of Incorporation**	**December 31, 2014**	**December 31, 2013**
Finans Faktoring Hizmetleri A.Ş. (Finans Factoring)	Turkey	100.00%	99.99%
Finans Tüketici Finansmanı A.Ş. (Finans Consumer Finance)	Turkey	-	-
Finans Yatırım Menkul Degerler A.Ş. (Finans Invest)	Turkey	99.74%	99.74%
Finans Portfoy Yonetimi A.Ş. (Finans Portfolio Asset Management)	Turkey	99.72%	99.71%
Finans Yatırım Ortaklığı A.Ş. (Finans Investment Trust)	Turkey	76.13%	76.10%
Finans Finansal Kiralama A.Ş. (Finans Leasing)	Turkey	69.00%	69.01%
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş. (IBTech)	Turkey	99.99%	99.99%
E-Finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Turkey	51.00%	51.00%
Bosphorus Financial Services(*)	Cayman Islands	100.00%	100.00%
Istanbul Bond Company(*)	Luxembourg	100.00%	100.00%

(*) Structured Entity.

47 Disposal of Subsidiaries

Finans Investment Trust and Finans Leasing are publicly traded Group companies. The Group buys and sells the shares of these companies on Istanbul Stock Exchange throughout the year.

The Group sold 6.12% of Finans Investment Trust for total consideration of TL 1.9 million in 2013.

48 Acquisition of Subsidiaries

The Group has invested in 51% of EFinans which is established in 2013 for the purpose of providing e-invoicing services. Total paid-in capital of the company is amounting to TL 6,000.

49 Subsequent events

1) The Bank's Board of Directors has decided to apply to Capital Markets Board ("CMB") along with the first draft of prospectus prepared for secondary public offering and within this framework has decided to increase the Bank's capital by TL 715,000 to TL 3,550,000 from TL 2,835,000 through right issues and for the increased amount to be received in cash, to restrict stock carrying rights of all existing shareholders of the secondary public offering in accordance with Turkish Commercial Code (“TCC”) and CMB regulations and for the issued capital to be issued through public offering in accordance with CMB regulations; for the issued rights to be distributed to right owners as reserved rights in accordance with CMB’s and Central Registry Agency (“MKK”) regulations for reserved rights. Finans Yatırım Menkul Değerler A.Ş. has been appointed to carry out the public offering process. It has been decided to make necessary applications to BRSA and CMB and for the pricing to be determined by the Board of Directors separately. In accordance with subject Board of Directors decision application has been made to CMB on October 23, 2014.

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

2) Finansbank announced its intention to launch an offering of its ordinary shares listed on the Borsa İstanbul A.Ş. on March 11, 2015. The Offering will include an issuance of 7,150 million new ordinary shares by Finansbank, as well as a sale of up to 800 million existing ordinary shares in Finansbank currently held by National Bank of Greece S.A. In addition, up to 1,590 million additional shares will be made available by the Selling Shareholder for the purpose of covering over-allotments. Up to 795 million Shares may be repurchased on behalf of NBG in connection with stabilization transactions. The Offering will consist of an international offering of Shares outside Turkey to institutional investors and a domestic public offering of Shares to retail and institutional investors in Turkey and is subject to the approval of the Capital Markets Board of Turkey. The allocation of Shares between the international and domestic offering will be fixed at the time of the pricing of the Offering and subject to Turkish securities laws. It is expected that the Shares will trade on the BIST in lots of 10 Shares each.

3) According to Board of Directors decision dated March 6, 2015, the Bank announced that General Assembly Meeting of Shareholders to be held on 31 March 2015 and at General Assembly Meeting of Shareholders; to reserve TL 43,871 of the net profit of TL 877,428, which was calculated the basis of the Bank's 2014 financial statements by deducting the taxes payable, as General Statutory Reserve; and to deliberate the amount of the first dividend, TL 141,750, to be distributed to shareholders in the form of no par shares, in accordance with Article 26 of Articles of Association of the Bank, at the Extraordinary General Assembly to be held until the last business day of the fifth month following the end of accounting period as per the Article 16/6 of the Communiqué on Shares (VII-128.1). In the Ordinary General Assembly Meeting of Finansbank A.Ş. dated May,4 ,2015 the profit distribution of the Parent Bank for the year 2014 is decided as follows:

2014 profit distribution table:

Current period income / (loss)	**877,428**
A – First Legal Reserves (Turkish Commercial Code 466/1) 5%	43,871
B – First Dividend to Shareholders	141,750
C–Extraordinary Reserves	691,807

4) The auction regarding the sale of the Bank's Gayrettepe Headquarter Building on Istanbul, Şişli, Mecidiyeköy, map section 307, Isle 1956, Parcel 41 has been approved by the Board of Directors. Within this context a "Real Estate Sale Agreement" has been signed between parties and it has been decided for the building to be sold for USD 65,250,000. Transfer of property register has occured as of March 25, 2015 in accordance with the conditions set out by the agreement. Additionally, it has been decided for the Akmerkez floors to be sold for USD 19,670,000 and the sale has occurred as of March 24, 2015 and Polat building on İstanbul, Şişli, Mecidiyeköy, map section 303, Isle 1997, Parcel 29, No 52-64 has been decided to be sold by USD 28,000,000 and the sale has occurred as of April 27, 2015.