Odea Bank A.Ş.

Financial statements at December 31, 2014 together with independent auditor's report

Güney Bağımsız Denetim ve
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Independent auditor's report

To the Board of Directors of Odea Bank A.Ş.

We have audited the accompanying financial statements of Odea Bank A.Ş. (the Bank), which comprise the statement of financial position as at December 31, 2014 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the unconsolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatma Ebru Yücel, SMMM
Partner

İstanbul, March 19, 2015

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Statement of financial position
as at December 31, 2014
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	December 31, 2014	December 31, 2013
Assets			
Cash and balances with central banks	5	2.830.662	1.777.178
Due from banks	6	1.021.288	1.226.774
Money market placements	6	2.235.688	460.098
Financial assets at fair value through profit or loss	7	*47.114*	*101.183*
- Financial assets held for trading	7	3.157	2.610
- Derivative financial instruments	7-8	43.957	98.573
Loans and advances to customers	9	17.951.675	11.317.859
Investment securities	10	*1.163.145*	*942.532*
- Available-for-sale	10	518.213	477.203
- Available-for-sale pledged as collateral	10	344.841	465.329
- Held-to-maturity	10	300.091	-
- Held-to-maturity pledged as collateral	10	-	-
Property and equipment	11	116.962	104.438
Intangible assets	12	57.442	48.246
Deferred income tax assets	16	30.165	23.452
Current assets held for sale		6.132	-
Other assets	13	114.036	86.628
Total assets		**25.574.309**	**16.088.388**
Liabilities			
Deposits	14	21.061.040	12.371.958
Due to banks	15	1.411.123	1.167.373
Debt securities issued	15	137.483	-
Subordinated loans and similar debt	15	353.655	639.209
Funds obtained under repurchase agreements	15	138.889	221.454
Derivative financial instruments	8	50.663	103.355
Income taxes payable	16	4.090	-
Employee Benefits	17	41.918	28.143
Other liabilities and accrued expenses	18	230.802	155.332
Total liabilities		**23.429.663**	**14.686.824**
Equity			
Share capital	19	1.496.150	1.496.150
Capital contribution	19	699.480	-
Other reserves	20	(2.669)	(8.546)
Retained earnings		(86.040)	(1.084)
Result of the year		37.725	(84.956)
Total equity		**2.144.646**	**1.401.564**
Total liabilities and equity		**25.574.309**	**16.088.388**

The accompanying notes set out on pages 6 to 55 form an integral part of these financial statements.

Odea Bank A.Ş.

Statement of income
For the year ended December 31, 2014
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	December 31, 2014	December 31, 2013
Interest income	21	1.665.685	711.370
Interest expense	21	(1.146.392)	(541.248)
Net interest income		**519.293**	**170.122**
Fee and commission income	22	56.915	15.194
Fee and commission expense	22	(14.588)	(7.519)
Net fee and commission income		**42.327**	**7.675**
Foreign exchange gains, net	23	1.630	(34.678)
Net trading and fair value income / (loss)	23	3.557	44.052
Gains from investment securities, net	23	19.762	1.080
Other Operating Income		430	17
Total Operating income		**586.999**	**188.268**
Net provisions for credit losses	9	(137.512)	(35.369)
Net Operating income		**449.487**	**152.899**
Personnel Expenses	24	203.303	130.164
Other operating expenses	24	160.330	111.109
Depreciation of property and equipment	24	25.208	10.798
Amortization of intangible assets	24	12.603	6.939
Total Operating expenses	**24**	**(401.444)**	**(259.010)**
Operating profit/(loss)		**48.043**	**(106.111)**
Profit/(loss) before income tax		**48.043**	**(106.111)**
Current income tax credit/(expense)	16	(18.501)	1.483
Deferred tax income	16	8.183	19.672
Profit/(Loss) for the year		**37.725**	**(84.956)**
Earnings/(Losses) Per Share		**0,025**	**(0,057)**

The accompanying notes set out on pages 6 to 55 form an integral part of these financial statements.

Odea Bank A.Ş.

Statement of comprehensive income
for the year ended December 31, 2014
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	December 31, 2014	December 31, 2013
Profit/(Loss) for the year		**37.725**	**(84.956)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-	-
Net gains / (losses) on available-for-sale financial assets		-	-
- Unrealised net gains / (losses) arising during the year, before tax		26.158	(11.283)
- Net amount reclassified to the statement of income, before tax		(18.811)	767
Net investment hedges		-	-
- Net gains (losses) arising on hedges recognized in other comprehensive income, before tax		-	-
- Net amount reclassified to the statement of income, before tax		-	-
Cash flow hedges		-	-
- Net losses arising on hedges recognized in other comprehensive income, before tax		-	-
- Net amount reclassified to the statement of income, before tax		-	-
Income tax relating to components of other comprehensive income	16	**(1.470)**	**2.103**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**5.877**	**(8.413)**
Total comprehensive income/loss for the year		**43.602**	**(93.369)**

The accompanying notes set out on pages 6 to 55 form an integral part of these financial statements.

Odea Bank A.Ş.

Statement of changes in equity
for the year ended December 31, 2014
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	Share capital	Retained Earnings and result of the year (Note 28)	Other reserves (Note 28)	Capital contribution	Total equity
Balance at January 1, 2013		**533.520**	**(1.084)**	**(133)**	**-**	**532.303**
Total comprehensive income/(loss) for the year		-	(84.956)	(8.413)	-	**(93.369)**
Capital increase in cash	19	962.630	-	-	-	**962.630**
Balance at December 31, 2013		**1.496.150**	**(86.040)**	**(8.546)**	**-**	**1.401.564**
Total comprehensive income/(loss) for the year		-	37.725	5.877	-	**43.602**
Capital increase in cash	19	-	-	-	-	**-**
Capital contribution (*)	19	-	-	-	699.480	**699.480**
Balance at December 31, 2014		**1.496.150**	**(48.315)**	**(2.669)**	**699.480**	**2.144.646**

(*) The Bank has classified the subordinated loans obtained from its controlling shareholder Bank Audi sal amounting to USD 100 million and USD 200 million respectively which were previously recognized as Tier II capital in the account of additional Tier I capital. Pursuant to the resolution taken by the Board of Directors of Odea Bank and Article 7 of the Regulation on Equity of Banks, the type of both loans were changed to perpetual and interest-free. As of April 1, 2014 including of the both loans to account of additional Tier I capital was approved by BRSA.

Statement of cash flow
for the year ended December 31, 2014
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	December 31, 2014	December 31, 2013
Cash flows from operating activities			
Net profit/(loss)		37.725	(84.956)
Adjustments for:			
Amortization of intangible assets	12	12.603	6.939
Depreciation of property and equipment	11	25.208	10.798
Taxes paid	16	14.411	-
Other short term employee benefits	18	(43.160)	(27.294)
Interest accrual		9.415	192.896
Cash flows from operating profits before changes in operating assets and liabilities		**56.202**	**98.383**
Changes in operating assets and liabilities:			
Net decrease / (increase) in due from banks and cash balances with central banks		(796.182)	(1.483.684)
Net decrease / (increase) in due from banks		-	(3.354)
Net decrease / (increase) in derivative financial instruments		(1.466)	-
Net decrease / (increase) in loans and advances to customers		(6.537.786)	(9.338.235)
Net (increase) / decrease in other assets		(27.370)	(76.299)
Net (decrease) / increase in customer deposits		8.355.635	9.494.701
Net increase / (decrease) in other liabilities and provisions		81.926	170.575
Net increase / decrease in due to banks		159.248	1.023.451
Other taxes paid		227.031	(103.876)
Income taxes paid		-	-
Net cash from / (used in) operating activities		**1.461.035**	**(316.721)**
Cash flows from investing activities			
(Purchase of) property and equipment	11	(37.732)	(73.895)
Ney book value of property and equipment disposed		-	-
(Purchase of) intangible assets, net	12	(21.799)	(37.395)
(Purchase of) held-to-maturity securities	10	(297.671)	-
Redemption or sale of held-to-maturity securities		-	-
(Purchase of) available-for-sale securities	10	(381.409)	(924.997)
Sale or redemption of available-for-sale securities	10	469.279	78.132
Dividends received		-	-
Other, net		-	-
Net (used in) investing activities		**(269.332)**	**(958.155)**
Cash flows from financing activities			
Subordinated Loan(*)	19	349.740	-
Cash obtained from securities issued		289.232	-
Cash used for repayment of debt securities issued		(150.000)	-
Repayments of borrowed funds and debt securities		(886.773)	(565.519)
Proceeds from borrowed funds and debt securities		1.036.773	1.026.879
Capital increase		-	962.630
Net cash from / (used in) financing activities		**638.972**	**1.423.990**
Net increase / (decrease) in cash and cash equivalents		**1.886.877**	**247.497**
Effects of foreign exchange rate changes on cash and cash equivalents		16.252	(76.724)
Cash and cash equivalents at beginning of year	5	1.767.934	1.597.161
Cash and cash equivalents at end of year	5	**3.671.063**	**1.767.934**
Operational cash flows from interest:			
Interest paid		**1.006.035**	**476.355**
Interest received		**1.595.326**	**404.231**

(*) The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by "Regulation on Equity of Banks".

The accompanying notes set out on pages 6 to 55 form an integral part of these financial statements.

1. General information

Odea Bank A.Ş. (a subsidiary of Bank Audi s.a.l) was established as a deposit bank with USD 300 Million capital with the permission of BRSA numbered 4432 dated October 27, 2011, which was published in the Official Gazette on October 28, 2011, numbered 28098. Odea Bank A.Ş. started its operations in the "foreign banks founded in Turkey" group, by taking operating permission from BRSA numbered 4963 on September 28, 2012, which was published in Official Gazette dated October 2, 2012 numbered 28429.

The Ultimate parent of the Bank is Bank Audi s.a.l.

The Bank is registered in Istanbul, Turkey at the following address: Maslak Mah. Ahi Evran Caddesi Olive Plaza No:11 Şişli/ İstanbul. As of December 31, 2014, the Bank is operating with 48 branches and 1.388 employees.

The financial statements as at and for the year ended 31 December 2014 have been approved on 19 March 2015 by Hüseyin Özkaya the Chief Executive Officer and by Naim Hakim the Chief Financial Officer of Odea Bank A.Ş.. Authorised boards of the Bank and other regulatory bodies have the power to amend the statutory financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation of these financial statements

The financial statements have been prepared on a historical cost basis; except for available-for-sale investments, derivative financial instrumentsand financial assets at fair value through profit or loss, which have all been measured at fair value.

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") including the International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

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 the Public Oversight Accounting and Auditing Standards Authority,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 and Tax Regulations. Financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The financial statements are presented in the national currency of the Republic of Turkey the Turkish Lira ("TL").

2. Summary of significant accounting policies (continued)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2014 are consistent with those of the previous financial year, except for the adoption of new standards and amendments to standards, including any consequential amendments to other standards summarized below.

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

The amendments clarify when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. This amendment did not have a material impact on the Bank's financial statements.

Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014; however, the Bank has not applied the following new or amended standards in preparing these consolidated financial statements.

IFRS 9 Financial Instruments:

IFRS 9, published in July 2014, will replace the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 will be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Bank is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

Given the nature of the Bank's operations, this standard is expected to have an impact on the Bank's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in a change in the overall level of impairment allowances with the current IFRS 9 guidance.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 will be effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted.

The Bank is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

2. Summary of significant accounting policies (continued)

The following new or amended standards are not expected to have a significant impact of the Bank's financial statements.

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Annual Improvements to IFRSs 2010–2012 Cycle.
- Annual Improvements to IFRSs 2011–2013 Cycle.
- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle

B. Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in Turkish Lira (TL), which is the Bank's functional and the presentation currency, and all values are rounded to the nearest thousands, except when otherwise indicated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

C. Related parties

Parties are considered related to the Bank if below conditions are met;

(a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. Summary of significant accounting policies (continued)

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

For the purpose of these financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Bank Audi Group are considered and referred to as related parties. A number of banking transactions were entered into with related parties in the normal course of business.

D. Due from other banks

Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortized cost.

E. Financial assets at fair value through profit or loss

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets are designated at fair value through profit or loss when doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments such as loans and advances to customers or banks and debt securities in issue were carried at amortized cost.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets are included in net trading, hedging and fair value income and loss.

F. Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity, where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or client's servicing activity are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

2. Summary of significant accounting policies (continued)

Investment securities are initially recognized at fair value which is the cash consideration paid including transaction costs. Available-for-sale financial assets are subsequently re-measured at fair value. Gains and losses arising from changes in the fair value of securities classified as available-for sale revaluation are recognized as other comprehensive income in the "available-for-sale revaluation reserve" included in other reserves, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is transferred to the income statement.Interest earned whilst holding available for sale financial investments is reported as interest income using the effective interest rate.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Held to maturity investments are initially recorded at fair value which is the cash consideration paid including transactions costs. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

All purchases and sales of investment securities are recognized at the settlement date, which is the date the asset is delivered to/by the Bank. Any change in fair value of the available-for-sale securities to be received during the period between the trade date and the settlement date is recognized in other comprehensive income.

Unsettled transactions are recorded as off statement of financial position commitments until the settlement date.

G. Repurchase and reverse repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are not derecognized from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within funds obtained under repo agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase price is treated as interest expense and amortized over the life of repo agreements using the effective interest method.

Securities purchased under agreements to resell ("reverse repos") are recorded as money market placements. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of repo agreements using the effective interest rate method.

H. Loans and advances to customers

Loans are non-derivative financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at fair value including the related transaction costs and subsequently measures at amortised cost less any provision for loan losses.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

2. Summary of significant accounting policies (continued)

The Bank holds appropriate collateral for each loan according to its specified risk and the relevant Banking Regulation and Supervision Agency ("BRSA") communiqués. The collateral strategy differentiates between collateral types on the basis of customers' ratings and loan terms. In general, the types of collaterals are cash collaterals, mortgages, guarantees, promissory notes, securities issued by the Turkish Treasury Undersecretariat and Central Bank and pledge on assets.

I. Impairment of financial assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

The Bank has started to provide specific and collective provisions in 2013. The Bank reviews its loan portfolio to assess impairment at least on monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank.

Impairment and uncollectability are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

J. Derivative financial instruments

The Bank's derivative instruments consist of options, foreign currency and interest swaps and forward foreign currency buy/sell transactions. Derivative instruments are accounted for at their fair values as of the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per "Financial Instruments: Recognition and Measurement" ("IAS 39"). There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

Interest income and expenses on swap transactions are presented in interest income or expense.

K. Property and equipment

All property and equipment are carried at cost less accumulated depreciation and accumulated impairment if any. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful life as follows:

Buildings	50 years
Safety box	50 years
ATM	10 years
Furniture and fixtures and motor vehicles	5 years
Office equipment	3-4 years

Gain or loss resulting from disposals of the property and equipment is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage or any other lien on property and equipment.

2. Summary of significant accounting policies (continued)

L. Other intangible assets

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives.

As of the balance sheet date, all softwares are purchased and there are no completed or continuing software development projects by the Bank internally.

M. Accounting for leases as lessee

Tangible fixed assets acquired by financial leases are accounted for in accordance with IAS 17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira (TL) with the Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term. As of December 31, 2014 the Bank has operational lease agreements for some of its branches and rent expense for them is amounting to TL 31.774.

As of the balance sheet date, the Bank does not have authorization for any financial leasing transactions as lessor.

N. Financial liabilities

Financial liabilities including deposits from banks, customer deposits and other borrowed funds are recognized initially at fair value plus, transaction costs that are directly attributable to the issue of the financial liability. Subsequently, financial liabilities are measured at amortized cost, using the effective interest rate, except for financial liabilities designated at fair value. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

O. Income taxes

(i) Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Taxes other than on income are recorded within operating expenses (Note 24).

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2. Summary of significant accounting policies (continued)

Deferred income tax liabilities and assets are recognized when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Bank. Deferred income tax assets resulting from temporary differences, carry forward of unused tax losses and unused tax credits are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized (Note 16).

Deferred tax related to fair value remeasurement of available-for-sale investments, which are recognized in other comprehensive income, is also recognized in the other comprehensive income.

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 the deferred taxes relate to the same taxable entity and the same taxation authority.

P. Retirement benefit obligations

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Total benefit is calculated in accordance with IAS 19 "InternationalAccounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

The Bank has no retirement fund or foundation that the employees are the member of.

Defined Contribution Plans

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Short-term Employee Benefits

In accordance with IAS 19 "International Accounting Standard on Employee Benefits"; the expected cost of accumulating paid absences are measured as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

R. Provisions, contingent assets and contingent liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

As of balance sheet date, there is no case filed against to the Bank where the Bank is assessing as probable to lose.

2. Summary of significant accounting policies (continued)

S. Interest income and expense

Interest income and expenses are recognized in the statement of income on an accrual basis using the effective interest rate method.

T. Fee and commission income and expense

All fees and commission income/expenses are recognized as income at the time of realization and during the period where the service is provided. Loan related fees and commissions paid to or received from the other institutions are considered as an integral part of the effective interest rate of a financial instrument and accounted as accrual basis. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction.

U. Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Share premium

When shares are issued, the excess of contributions received over the nominal value of the shares issued is recorded as share premium in equity.

(iii) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the statement of financial position date are dealt with in the subsequent events note.

V. Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

AA. Offsetting

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

AB. Cash and cash equivalents

The cash and cash equivalents comprise balances with original maturities less than 90 days including cash and balances with the central banks excluding reserve requirements and loans and advances to banks (Note 5).

2. Summary of significant accounting policies (continued)

AC. Segment reporting

As the Bank is not publicly listed, disclosure requirements as per IFRS 8 that includes segment reporting are not applicable for the Bank.

AD. Earnings per share

Earnings per shares are disclosed under financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 4).

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the financial statements are as follows:

Impairment losses on loans and advances

The Bank has started to grant loans to its customers since October 2012. The Bank reviews its loan portfolios to assess impairment on a continuous basis. According to aging analysis of customers, as of December 31, 2014 the Bank has nonperforming loan customers. Accordingly there is specific provision as well as collective provision provided over the whole loan portfolio based on internal assumptions by considering the historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. (Note 9)

Fair value of derivatives

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values. (Note 8)

Tax legislation

Turkish tax legislation is subject to varying interpretations as disclosed in Note 16.

3. Significant Accounting Judgments, Estimates and Assumptions (continued)

Deferred income tax asset recognition

Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter. The business plans are based on management expectations that are believed to be reasonable under the circumstances. (Note 16)

4. Financial risk management

The Bank's Risk Management Unit was established as an independent unit which reports to the Member of Audit Committee who is responsible for the Audit, Internal Control and Risk Management.

Risk management is committed to control processes in order to determine the limits and measurement of operational risks, including the risks comprising of credit, market, interest rate, concentration, counterparty, banking accounts and IT risks.

Risk Management regularly reports to Senior Management and the Audit Committee all the risks the Bank is exposed to and concentrations, and the Bank's own internal limits of the legal limits are monitored daily, weekly, monthly and quarterly. These reports consist of, market risk limits, liquidity and interest rate, credit risk analysis and capital adequacy analysis and daily value at risk (VAR) analysis. These reports are also presented to Asset-Liability Management Committee Audit committee on a monthly basis. Financial instruments in the Bank's portfolio are closely monitored and reported on a daily basis against volatility and market values of market risk instruments.

Monthly scenario analysis on economic capital, capital adequacy, liquidity and profitability scenarios and credit risk on Bank's loan portfolio including benchmark of similar banks are presented to the Audit Committee. Management follows the Bank's performance and the limits by using these detailed reports.

Risk Management Group calculates Basel II capital adequacy calculation, namely Credit Risk, Market Risk and Operational Risk, in accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Bank's" published in the Official Gazette dated June 28, 2012 numbered 28337."

At the Bank, banking processes and policies were established by considering Regulation on the Internal Systems of Banks published in the Official Gazette No. 28337 dated June 28, 2012. Consequently, related procedures/policies are formed and then approved by the Board of Directors at August 2012.

In order to manage operational risks that the Bank is exposed to more effectively and to form an integrated risk management point of view, Operational Risk Policy and IT Continuity Plan was updated.

In order to define, measure, limit and report market risk the Bank is exposed to, Market Risk Policy is formed. When the Bank manages its treasury securities portfolio within the limits determined by the Board of Directors, Risk Management Group checks whether Treasury Department is within these risk limits.

Liquidity Risk is the risk that the Bank cannot fulfill its payment obligations fully and on time due to its insufficient cash inflow or due to inadequate available cash resulting from the mismatch between cash inflows and outflows. In order to define, measure, follow, report the liquidity risk the Bank is exposed to and take necessary actions for the results Liquidity Risk Policy format was prepared with an ongoing and forward-looking basis.

4. Financial risk management (continued)

Concentration risk is the risk within credit risk that is exposed according to individual debtor and debtor groups, to debtor groups that indicate similar characteristics in terms of economic and regional sector qualities, on the basis of the assets subject to the collateral securities similar to the risk that is to be considered also within the scope of the market risk and operational risk. In order to define, measure, follow and manage the concentration risk the Bank is exposed to, Concentration Risk Policy is formed. Concentration limits are monitored in compliance with the credit, deposit and related policies.

Counterparty credit risk refers to the default risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings an obligation to both sides. In order to define, measure, follow and manage the counterparty credit risk the Bank is exposed to Counterparty Credit Risk and Clearing Risk Policy is formed. Counterparty credit risk management is conducted by the Financial Institutions Department of the Bank by taking into account the counterparty's financial reports, general overview, rating, current and expected transaction volumes. The limits for counterparties are determined by the Board of Directors.

"Banking Book" includes all Assets and Liabilities (including credit) except trading securities portfolio. In order to define, measure, follow, report the interest rate risk related to banking book risk the Bank is exposed to and take necessary actions for the results, interest rate risk policy related to banking book is formed. Interest rate risk is managed by senior management in order to avoid losses from adverse interest rate movements.

Within internal capital management scope, the Bank has established a stress test based management by taking into account the estimated maximum loss amount that may occur in credit, operational, market and other risks as well as the changes in the market. Risk Management Procedure is formed in such a way that it includes all the definitions above.

Bank carries out risk mitigation processes and risk hedging for credit risk in accordance with credit risk policies. Risks related to market risk are measured and monitored in accordance with application procedures and policies. In this respect the limits are allocated by the Board of Directors. Limits are monitored, reported, in the event of any limit exceed it is reported to relevant committees and units through documentation by electronic mail. In addition, information about limits on use and loan segment concentration is presented to Audit Committee and the Board of Directors on quarterly.

A. Credit risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and cause to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits and updated on a defined frequency based on market developments. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

4. Financial risk management (continued)

Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and acquirements related to forward transactions is normally realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market.

As of December 31, 2014 cash loans of the Bank from its top 100 and top 200 customers in the statement of financial position are TL 8.560.856 and TL 10.852.582 thousand,and their share in total cash loans are 48% and 60%, respectively.

As of December 31, 2014 total non- cash loans of the Bank from its top 100 and top 200 customers are TL 1.147.872 and TL 1.332.746 thousand,and their share in total non-cash loans are 77% and 90%.

4. Financial risk management (continued)

Bank 's rating system:

Internal credit rating system is used by The Bank. As a basis for the rating classification; financial data of customers has been processed by the MRA - Moody's Risk Analyst software and output rate is considered.

The risks that are subject to rating models can be allocated as follows.

Rating	Risk Grade	Description
(1) Excellent	1	Exceptional business credit, judged to be of the highest quality, with minimal credit risk. Superior asset quality and financial capacity; excellent and proven management; market leader.
(2) Strong	2+ 2 2-	Very good business credit with very good asset quality, consistently strong liquidity and debt capacity; highly regarded in the industry with strong market share.
(3) Good	3+ 3 3-	Good business credit considered upper-medium grade, subject to low credit risk; good asset quality, strong liquidity and debt capacity. Company is above average size and holds a good position in the industry.
(4) Satisfactory	4+ 4 4-	Acceptable business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher than average risk characteristics. Company has demonstrated adequate to good performance.
(5) Adequate	5+ 5 5-	Average to low business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher risk characteristics. Company has demonstrated adequate performance.
(6) Marginal	6+ 6 6-	Below average business credit subject to high credit risk. Company is likely a lower tier competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigants.
(7) Vulnerable	7+ 7 7-	Weak business credit: Judged to be of poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status not to the point of justifying a Substandard classification.
(8) Substandard	8	Substandard (Default): Unacceptable business credit with normal repayment in jeopardy.
(9) Doubtful	9	Doubtful (Default): Full repayment questionable. Serious problems to the point where partial loss of principal is likely.
(10) Loss	10	Loss (Default): Expected loss. Such an asset may have recovery but not to the point of avoiding loss classification.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Maximum exposure to credit risk

	2014	2013
Credit risk exposures relating to assets on-statement of financial position:		
Cash and balances with central banks	2.830.662	1.777.178
Due from banks	1.021.288	1.226.774
Money market placements	2.235.688	460.098
Loans and advances to customers	17.951.675	11.317.859
- Retail	1.645.211	739.870
- Corporate	7.853.746	5.122.932
- Commercial & SME	8.452.719	5.455.057
Financial assets at fair value through profit or loss	47.114	101.183
- Financial assets held for trading	3.157	2.610
- Derivative financial instruments	43.957	98.573
Investment securities	1.163.145	942.532
- Available-for-sale	863.054	942.532
- Held-to-maturity	300.091	-
Other assets	68.205	65.380
Credit risk exposures relating to off-balance sheet items:		
Bank acceptance loans	54.686	44.079
Letters of credit	431.685	146.013
Letter of guarantee	1.005.914	744.241
Other commitments	1.143.101	2.148.837

The above table represents a worst case scenario of credit risk exposure in the absence of any collateral or credit enhancements.

The main types of collaterals obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, mortgages over real estate properties, cash, guarantee letters, securities, pledges or guarantees
- For retail lending, mortgages over residential properties or pledges on vehicles

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement when necessary.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Collateral Distribution

31 December 2014	Corporate	Commercial	Retail	Total
Deposit	420.066	1.060.769	44.948	1.525.783
Mortgage	1.925.419	3.569.506	451.813	5.946.738
Assignment of claim	894.983	468.569	-	1.363.552
Cheque	274.724	984.970	-	1.259.694
Pledge of vehicle	85.935	62.735	23.804	172.474
TOTAL	**3.601.127**	**6.146.549**	**520.565**	**10.268.241**

31 December 2013	Corporate	Commercial	Retail	Total
Deposit	43.017	448.714	21.198	512.929
Mortgage	1.351.032	2.859.193	255.080	4.465.305
Assignment of claim	349.248	372.698	6.820	728.766
Cheque	125.544	103.395	5	228.944
Pledge of vehicle	68.102	61.198	15.037	144.337
TOTAL	**1.936.943**	**3.845.198**	**298.140**	**6.080.281**

Represents the amounts weighted by taking into consideration the credit risks of the customers.

The details of the loans and advances past due but not impaired which are classified under the performing loans are as follows;

Information on past due but not impaired loan and other receivables:

31 December 2014	Corporate	Commercial & SME	Retail	Total
Not past due and 30 days past due	7.807.258	8.012.946	1.537.266	17.357.470
30-60 days past due	40.470	265.699	51.591	357.760
60-90 days past due	1.868	101.495	36.279	139.642
Total	**7.849.596**	**8.380.140**	**1.625.136**	**17.854.872**

31 December 2013	Corporate	Commercial & SME	Retail	Total
Not past due and 30 days past due	4.956.104	5.557.611	743.655	11.257.370
30-60 days past due	20.710	5.027	7.842	33.579
60-90 days past due	-	15.803	289	16.092
Total	**4.976.814**	**5.578.441**	**751.786**	**11.307.041**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Industry sectors

The Bank uses BRSA definitions for the economic sectors in order to be able to make comparisons with the banking sector wide figures. These definitions are also in line with NACE (European Classification of Economic Activities) classifications which are used within the EU. Through the credit policy, the Board of Directors sets the sectoral limits on lending, and these limits can only be altered by a decision from the Board of Directors. Sectoral classification is defined in terms of the borrower's activity area, not based on collaterals.

	Central Banks and Central Governments	Agriculture	Construction	Financial Institutions	Manufacturing	Wholesale and retail trade	Proffessional services	Individuals	Total
Cash and balances with central bank	2.830.662	-	-	-	-	-	-	-	2.830.662
Due from banks	-	-	-	3.256.976	-	-	-	-	3.256.976
Trading securities – debt securities		-	-	-	-	-	-	-	-
Derivative financial instruments	-	560	5.047	23.334	5.909	460	-	8.647	43.957
Financial assets at fair value through profit and loss		-	-	3.157	-	-	-	-	3.157
Investment securities – available for sale securities	863.054	-	-	-	-	-	-	-	863.054
Investment securities – held-to-maturity securities	300.091	-	-	-	-	-	-	-	300.091
As of December 31, 2014	**3.993.807**	**560**	**5.047**	**3.283.467**	**5.909**	**460**	**-**	**8.647**	**7.297.897**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Sectoral risk breakdown of cash and non-cash loans of the Bank are as follows;

	Cash Loans	Non-Cash Loans
Real Estate	3.173.043	-
Others in Manufacturing Industry	2.279.010	360.784
Retail	1.621.920	41.876
Transportation, Storage & Communication	1.212.315	99.953
Tourism	998.075	-
EPC (*)	913.611	424.753
Textile	822.783	-
Metal Industry	806.911	-
Electric & Gas & Water Resources	680.546	99.798
Shopping Mall / Commercial Units	675.195	-
Wholesale & Retail	645.723	287.162
Food And Beverage Industry	616.111	-
Real Estate Dealing	613.988	-
Social Service And Health Services	462.816	25.973
Machinery And Equipment	363.067	-
Other Services	350.799	-
Mining Industry	304.612	-
Finance	287.563	7.384
Education	225.284	82.328
Farming, Forest And Hunting	194.044	20.494
Other Personel Services	174.082	-
Others	513.667	41.780
Fishing	16.510	-
Total	**17.951.675**	**1.492.285**

(*) Engineering, Procurement and Construction

Rating of debt securities:

	December 31, 2014			December 31, 2013		
Moody's credit rating model	**Trading securities**	**Available for Sale**	**Held-to Maturity**	**Trading securities**	**Available for Sale**	**Held-to Maturity**
Financial assets:						
BBB	-	-	-	2.610	942.532	-
Baa3	3.157	485.884	300.091	-	-	-
B2	-	377.170	-	-	-	-
Total	**3.157**	**863.054**	**300.091**	**2.610**	**942.532**	**-**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

B. Market risk

The Bank has defined market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" which was published in the Official Gazette on June 28, 2012 numbered 28337 and "Regulation Regarding Banks' Shareholders' Equity".

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to risk calculated by using the standard is taken into consideration.

The major measurement techniques used to measure and control market risk are outlined below.

(a) Value-at-risk

The Bank applies a VaR methodology to its trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The VaR limits are set by the Board of Directors and revised every year according to the budget and strategic plan of the Bank. VaR limit compliance is monitored by Risk Management on a daily basis.

The quality of the VaR model is continuously monitored by back-testing the VaR results for trading books. All back-testing exceptions are investigated, and results are reported to the monthly Asset Liability Committee ("ALCo") meetings.

Bank's VaR by risk type

	12 months to reporting date (2014)			12 months to reporting date (2013)		
	Average	High	Low	Average	High	Low
Foreign exchange risk	5.604	16.781	1.645	13.529	29.580	4.176
Interest rate risk of securities	6.457	8.055	4.316	7.154	15.505	3.392
Option risk	441	746	155	869	338	320
Counterparty risk	7.917	12.484	3.716	6.331	11.601	1.310
Total VaR	**20.419**	**33.232**	**14.457**	**27.883**	**57.024**	**9.198**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

(b) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management, also indicated in the market risk policy of the Bank, include: FX and interest rate stress testing, where stress movements are applied to the FX position and to the banking book. The results of the stress tests are reviewed by ALCo.

i) Foreign exchange risk

Foreign currency risk indicates the probability of loss that the Banks is subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions and stop losses which are followed up daily and weekly. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

The table below summarizes the Bank's assets and liabilities at carrying amounts, categorized by currency. The off-balance sheet gap represents the difference between the notional amounts of purchase and sale foreign currency derivative financial instruments.

December 31, 2014

	EUR	USD	Other	Foreign currency Total
Assets				
Cash and balances with central banks	24.949	2.445.264	1.541	2.471.754
Due from banks	3.006	141.881	703	145.590
Money market placements	-	-	-	-
Financial assets held for trading(*)				
- Trading securities	-	1.379	-	1.379
- Derivative financial instruments	-	-	-	-
Loans and advances to customers	3.437.008	5.720.406	-	9.157.414
Investment securities				
- Available-for-sale	-	377.170	-	377.170
- Held-to-maturity	-	300.091	-	300.091
Other intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Deferred income tax assets	-	-	-	-
Assets held for resale	-	-	-	-
Other assets	28.592	8.539	-	37.131
Total assets	3.493.555	8.994.730	2.244	12.490.529
Liabilities				
Deposits	3.945.503	7.502.880	7.628	11.456.011
Debt securities issued, subordinated loans and due to banks	306.197	1.415.567	34.254	1.756.018
Derivative financial instruments	-	-	-	-
Other liabilities	24.885	8.970	5	33.860
Total liabilities	4.276.585	8.927.417	41.887	13.245.889
Capital Contribution	-	699.480	-	699.480
Net balance sheet position	(783.030)	(632.167)	(39.643)	(1.454.840)
Off-balance sheet derivative instruments net notional position	788.435	383.711	66.500	1.238.646
Net foreign currency position	5.405	(248.456)	26.857	(216.194)

(*) Market to market on Derivative financial assets / liabilities have not been included in the net balance sheet position.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

December 31, 2013

	EUR	USD	Other	Foreign currency Total
Assets				
Cash and balances with central banks	14.709	1.649.294	509	1.664.512
Due from banks	262.171	353.138	18.928	634.237
Money market placements	-	-	-	-
Financial assets held for trading	-	-	-	-
- Trading securities	-	-	-	-
- Derivative financial instruments	-	-	-	-
Loans and advances to customers	1.641.199	3.764.415	-	5.405.614
Investment securities	-	-	-	-
- Available-for-sale	-	-	-	-
- Held-to-maturity	-	-	-	-
Other intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Deferred income tax assets	-	-	-	-
Other assets	32.848	70.395	-	103.243
Total assets	**1.950.927**	**5.837.242**	**19.437**	**7.807.606**
Liabilities				
Deposits	1.647.261	4.840.687	2.278	6.490.226
Debt securities issued, subordinated loans and due to banks	157.193	1.615.345	31.036	1.803.574
Derivative financial instruments	-	-	-	-
Other liabilities	3.915	10.184	1	14.100
Total liabilities	**1.808.369**	**6.466.216**	**33.315**	**8.307.900**
Net balance sheet position	**142.558**	**(628.974)**	**(13.878)**	**(500.294)**
Off-balance sheet derivative instruments net notional position	9.428	459.431	14.163	483.022
Net foreign currency position	**151.986**	**(169.543)**	**285**	**(17.272)**

At December 31, 2014, assets and liabilities denominated in foreign currency were translated into TL using a foreign exchange rate of TL 2,1304 = USD 1, and TL 2,9344= EUR 1

For the purpose of calculating currency risks, foreign currency indexed loans and securities have been reported in this table in the relevant currency of indexation.

Currency risk sensitivity:

The table below represents the sensitivity of the Bank to 10% change of currency exchange rates (USD and EUR). 10% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

	December 31, 2014		December 31, 2013	
Change in currency exchange rate	**Profit/loss effect (1)**		**Profit/loss effect (1)**	
	EUR	**USD**	**EUR**	**USD**
(+) 10%	541	(24.846)	15.199	(16.954)
(-) 10%	(541)	24.846	(15.199)	16.954

(1) Excluding tax effect.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

ii) Interest rate risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Management Group performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank monitors maturity mismatches very closely a significant interest rate risk exposure is not expected.

The table below summarizes the Bank's exposure to interest rate risk at December 31, 2014. Included in the table are the Bank's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

December 31, 2014	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	302.555	-	-	-	2.528.107	2.830.662
Due from banks	1.004.428	-	-	-	16.860	1.021.288
Money market placements	2.235.688	-	-	-	-	2.235.688
Financial assets at fair value through profit or loss	22.946	14.015	5.094	5.059	-	47.114
Loans and advances to customers	6.643.666	5.938.515	3.952.861	1.319.830	96.803	17.951.675
Investment securities						
- Available-for-sale	362.049	82.212	41.623	377.170	-	863.054
- Held-to-maturity	-	-	300.091	-	-	300.091
Other intangible assets	-	-	-	-	57.442	57.442
Property and equipment	-	-	-	-	116.962	116.962
Deferred income tax assets	-	-	-	-	30.165	30.165
Assets held for sale	-	-	-	-	6.132	6.132
Other assets	-	-	-	-	114.036	114.036
Total assets	10.571.332	6.034.742	4.299.669	1.702.059	2.966.507	25.574.309
Liabilities						
Deposits	19.403.695	378.908	3.587	-	1.274.850	21.061.040
Funds obtained under repurchase agreements	138.889	-	-	-	-	138.889
Debt securities issued, subordinated loans and due to banks	1.049.022	325.102	117.400	410.737	-	1.902.261
Derivative financial instruments	31.686	11.581	6.564	832	-	50.663
Current income taxes payable	-	-	-	-	4.090	4.090
Other liabilities and equity	-	-	-	-	2.417.366	2.417.366
Total liabilities and equity	20.623.292	715.591	127.551	411.569	3.696.306	25.574.309
Net interest repricing gap						
Off-balance sheet derivative instruments long position	5.812.657	1.320.579	1.901.511	353.216	-	9.387.953
Off-balance sheet derivative instruments short position	(5.848.183)	(1.386.234)	(1.941.168)	(258.204)	-	(9.433.789)

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

December 31, 2013	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	-	-	-	-	1.777.178	1.777.178
Due from banks	849.591	-	-	-	377.183	1.226.774
Money market placements	460.098	-	-	-	-	460.098
Financial assets at fair value through profit or loss	11.878	56.437	29.518	3.350	-	101.183
Loans and advances to customers	3.194.271	3.268.551	3.480.343	1.363.877	10.817	11.317.859
Investment securities						
- Available-for-sale	328.774	433.278	180.480	-	-	942.532
- Held-to-maturity	-	-	-	-	-	-
Other intangible assets	-	-	-	-	48.246	48.246
Property and equipment	-	-	-	-	104.438	104.438
Deferred income tax assets	-	-	-	-	23.452	23.452
Other assets	-	-	-	-	86.628	86.628
Total assets	**4.844.612**	**3.758.266**	**3.690.341**	**1.367.227**	**2.427.942**	**16.088.388**
Liabilities						
Deposits	11.756.493	116.692	24	-	498.749	12.371.958
Funds obtained under repurchase agreements	221.454	-	-	-	-	221.454
Debt securities issued, subordinated loans and due to banks	709.348	351.320	-	745.914	-	1.806.582
Derivative financial instruments	31.974	46.005	25.376	-	-	103.355
Current income taxes payable	-	-	-	-	-	-
Other liabilities and equity	-	-	-	-	1.585.039	1.585.039
Total liabilities and equity	**12.719.269**	**514.017**	**25.400**	**745.914**	**2.083.788**	**16.088.388**
Net interest repricing gap	**(7.874.657)**	**3.244.249**	**3.664.941**	**621.313**	**344.154**	**-**
Off-balance sheet derivative instruments long position	2.815.383	1.885.109	782.813	40.045	-	5.523.350
Off-balance sheet derivative Instruments short position	(2.833.569)	(1.871.921)	(783.436)	(40.045)	-	(5.528.971)

The interest rate risk for all on-balance sheet and off-balance sheet items, which are interest sensitive, and for banking accounts has been calculated. In calculation of interest rate risk, the Bank has not made any assumptions for early repayment of loans and demand deposits.

Below table summarizes the economic value differences resulting from interest rate volatility calculated according to the Regulation on Measurement and Evolution of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method of BRSA. As of December 31, 2014, 500 bp/400 bp shock and 200bp shock are applied for Turkish Lira and foreign currency, respectively for the assessment of the changes in the fair value of balance sheet items which are subject to calculation.

Unit of Currency	Applicable Shock (+ / - base point)*	Profit/ Loss	Profit / Regulatory Equity Capital – Loss / Regulatory Equity Capital
TL	500	(314.870)	(12,97)%
	(400)	299.075	12,32%
EUR	200	(11.655)	(0,48)%
	(200)	148	0,01%
USD	200	9.870	0,41%
	(200)	(100.425)	(4,14)%
Total (For Positive Shock)		(316.655)	(13,04)%
Total (For Negative Shock)		198.798	8,19%

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding at December 31, 2014 based on yearly contractual rates.

	December 31, 2014			
	EUR (%)	USD (%)	JPY(%)	TL (%)
Assets				
Cash and balances with central banks	-	-	-	1,51
Due from banks	-	0,22	-	10,94
Financial Assets at Fair Value Through Profit and Loss	-	4,81	-	8,86
Money Market Placements	-	-	-	11,23
Investment securities				
- Available-for-sale	-	6,03	-	8,44
- Held-to-maturity	-	4,95	-	-
Loans and advances to customers	5,94	5,90	-	13,59
Liabilities				
Bank deposits	2,87	2,65	-	10,10
Customer deposits	2,62	2,59	-	10,26
Money Market Borrowings	-	-	-	8,25
Debt securities issued and due to banks	2,17	2,03	-	9,93
Subordinated Loans	-	6,50	-	-

C. Liquidity risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the maturity and interest rate structure of assets, and liabilities is always monitored. A positive difference is tried to be established between the yields of assets and liabilities on the balance sheet and their costs. In this sense, various crisis scenarios which are prepared by Risk Management Group are presented to Senior Management and Audit Committee.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and other instutional funding and borrowings syndication products to generate additional sources.

The following table presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, which include interest to be paid at maturity, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

December 31, 2014

	Demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities						
Deposits	1.274.850	20.217.861	399.757	3.709	-	21.896.177
Debt securities issued, subordinated loans and due to banks	-	1.066.674	328.895	145.447	431.284	1.972.300
Money market borrowings	-	139.264	-	-	-	139.264
Total liabilities	**1.274.850**	**21.423.799**	**728.652**	**149.156**	**431.284**	**24.007.741**

December 31, 2013

	Demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities						
Deposits	498.749	12.305.759	119.498	26	-	12.924.032
Debt securities issued, subordinated loans and due to banks	-	719.150	1.126.245	-	960.591	2.805.986
Money market borrowings	-	-	-	-	-	-
Total liabilities	**498.749**	**13.024.909**	**1.245.743**	**26**	**960.591**	**15.730.018**

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
As of December 31, 2014						
Gross settled						
Foreign exchange forward contracts	710.187	258.338	371.737	-	-	1.340.262
Currency swaps	3.325.934	2.073.516	456.365	284.696	-	6.140.511
Interest rate swap agreement	10.322	-	256.150	2.107.634	223.788	2.597.894
Foreign currency sell and buy options	4.317.239	970.310	1.383.571	22.487	-	6.693.607
Interest rate sell and buy options	-	-	238.982	1.422.862	387.632	2.049.476
Total	**8.363.682**	**3.302.164**	**2.706.805**	**3.837.679**	**611.420**	**18.821.750**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
As of December 31, 2013						
Gross settled						
Foreign exchange forward contracts	283.353	243.117	398.639	21.927	-	947.036
Currency swaps	1.945.120	647.406	82.119	175.914	-	2.850.559
Interest rate swap agreement	-	-	59.862	1.368.408	80.090	1.508.360
Foreign currency sell and buy options	1.009.473	1.520.491	3.216.404	-	-	5.746.368
Interest rate sell and buy options	-	-	-	-	-	-
Total	**3.237.946**	**2.411.014**	**3.757.024**	**1.566.249**	**80.090**	**11.052.323**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

D. Operational risk

Operational risk is defined as the risk of losses due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. Legal and compliance risk is a sub-category of operational risk: it is the risk to earnings from violations or non compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards. Operational Risk Management department ("ORM") monitors the Bank's operational risk exposure in accordance to standards and policies, collects operational risk data in a web-based database, performs the risk indicators' identification, the scenario analysis assessment, Business Continuity Management and assures the quality of data gathered in accordance to Basel II standards, proposes insurance hedging on operational risks and prepares risk mitigation plans. ORM performs second level controls, manages and measures the Bank's operational risks.

For regulatory purposes and consideration in statutory capital adequacy ratio, the Bank calculates the amount subject to operational risk with the basic indicator method in accordance with Section 4 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 28337 dated June 28, 2012.

The value at operational risk is calculated according to the basic indicator approach of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette No. 28337 dated June 28, 2012.

	2 PY Amount	1 PY Amount	CY Amount	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross income	-	61.830	188.661	125.246	15	18.787
The amount subject to operational risk (Total*12,5)(*)					-	234.838

E. Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-statement of financial position exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations to financial institutions, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

The Bank's regulatory capital adequacy position at December 31, 2014 was as follows:

	December 31, 2014	December 31, 2013
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	1.377.249	966.558
Capital requirement for market risk (II) (Value at Market Risk*0.08) (MRCR)	21.417	21.814
Capital requirement for operational risk (III) (ORCR)	18.787	9.274
Shareholders' Equity[1]	2.427.261	1.946.925
Shareholders' Equity/((CRCR+MRCR+ORCR) * 12.5) * 100	**13,70**	**15,61**

(1) The Bank has classified the subordinated loans obtained from its controlling shareholder Bank Audi sal amounting to USD 100 million and USD 200 million respectively which were previously recognized as Tier II capital in the account of additional Tier I capital. Pursuant to the resolution taken by the Board of Directors of Odea Bank and Article 7 of the Regulation on Equity of Banks, the type of both loans were changed to perpetual and interest-free. As of April 1, 2014 including of the both loans to account of additional Tier I capital was approved by BRSA.

F. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a current market exchange.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's consolidated balance sheets at their fair values at December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:	**21.208.651**	**21.912.171**	**13.004.731**	**12.721.929**
Due from banks and money market placements	3.256.976	3.256.976	1.686.872	1.686.872
Loans and advances to customers	17.951.675	18.655.195	11.317.859	11.035.057
Financial liabilities:	**23.102.190**	**22.993.046**	**14.399.994**	**14.339.073**
Deposits	21.061.040	21.036.562	12.371.958	12.394.422
Debt securities issued, repurchase agreements, subordinated loans and due to banks	2.041.150	1.956.484	2.028.036	1.944.651

4. Financial risk management (continued)

The following methods and assumptions were used to estimate the fair value of the financial instruments:

i. Financial assets:

Money market placements and banks are carried at amortised cost values on the face of the financial statements and due to their short term nature, their fair values are considered to approximate their respective carrying values.

Loans and advances to customers are net of allowances for impairment. The estimated fair value of loans and advances to customers represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates with similar currency and remaining maturity to determine their fair value. The credit risk is not considered when calculating the fair value of loans and advances to customers as in line with the pricing of such loans.

ii. Financial liabilities:

The discount rate used to calculate the fair value of deposits and funds borrowed as of December 31, 2014 is the current market rates available for the borrowing and deposits types with similar currency and maturity.

Investment securities

Fair value for held-to-maturity securities is based on market prices or prices prevailing at the statement of financial position date announced by the BIST.

Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial investments - available-for-sale

Available-for-sale financial assets valued using a valuation technique or pricing models primarily consist of unquoted equities and debt securities.

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Determination of fair value and fair value hierarchy:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3- Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Assets and liabilities measured at fair value

December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
- Debt securities	3.157	-	-	3.157
- Equity securities	-	-	-	-
- Derivatives	-	43.957	-	43.957
Available-for-sale financial assets	-	-	-	
- Investments securities - debt	863.054	-	-	863.054
- Investments securities - equity	-	-	-	-
Total assets	**866.211**	**43.957**	**-**	**910.168**
Financial liabilities at fair value through profit or loss				
- Derivatives	-	50.663	-	50.663
Total liabilities	**-**	**50.663**	**-**	**50.663**

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
- Debt securities	2.610	-	-	2.610
- Equity securities	-	-	-	-
- Derivatives	-	98.573	-	98.573
Available-for-sale financial assets				
- Investments securities - debt	942.532	-	-	942.532
- Investments securities - equity	-	-	-	-
Total assets	**945.142**	**98.573**	**-**	**1.043.715**
Financial liabilities at fair value through profit or loss				
- Derivatives	-	103.355	-	103.355
Total liabilities	**-**	**103.355**		**103.355**

There are no transfers between the first and the second levels in the current year.

(Amounts expressed in thousands of TL unless otherwise indicated.)

5. Cash and balances with central banks

Cash and Balances with the Central Bank of Turkey:

	December 31, 2014	December 31, 2013
TL	358.908	112.666
Foreign currency	2.471.754	1.664.512
Total	**2.830.662**	**1.777.178**

Cash and cash equivalents for the purpose of presentation in the statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	December 31, 2014	December 31, 2013
Cash and cash equivalents	113.236	78.456
Current account balances with the Central Bank	302.102	80.082
Loans and advances to banks,excluding accrued interest (with original maturity less than 90 days) (included in due from banks),	1.020.725	1.149.396
Reverse repos,excluding accrued interest (included in money market placements)	2.235.000	460.000
Total	**3.671.063**	**1.767.934**

The reserve requirements are promulgated by communiqués issued by the Central Bank of Turkey ("the Central Bank").

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

With regard to the press release of the Central Bank of the Republic of Turkey dated October 21, 2014 and numbered 2014-72 as of November 2014, interest payments have started on the TL portion of Reserve Requirements at the rate of the weighted average funding costs of the Central Bank of the Republic of Turkey less 700 base points.

In accordance with the declaration by the Central Bank on January 3, 2015 numbered 2015-1, as of the February 13, 2015 obligation schedule, the Banks shall book required reserves at the rate of 6% to 18% depending on the structure of the maturity for non-deposit foreign currency obligations which they need to hold as required reserve in the account of the T.C Central Bank's.

(Amounts expressed in thousands of TL unless otherwise indicated.)

6. Due from banks

	December 31, 2014		
	Domestic	**Foreign**	**Total**
TL:			
Nostro/ demand deposits	-	-	-
Time deposits	866.973	-	866.973
Interbank money market and reverse repo	2.235.688	-	2.235.688
Total	**3.102.661**	**-**	**3.102.661**
Foreign currency:			
Nostro/ demand deposits (*)	-	16.750	16.750
Time deposits	137.565	-	137.565
Total	**137.565**	**16.750**	**154.315**

(*) As of December 31, 2014, nostro/ demand deposits includes collaterals amounting to TL 8.725 given to the foreign banks for the derivative transactions.

	December 31, 2013		
	Domestic	**Foreign**	**Total**
TL:			
Nostro/ demand deposits	-	-	-
Time deposits	515.270	-	515.270
Interbank money market and reverse repo	460.098	-	460.098
Total	**975.368**	**-**	**975.368**
Foreign currency:			
Nostro/ demand deposits (*)	-	377.066	377.066
Time deposits	334.438	-	334.438
Total	**334.438**	**377.066**	**711.504**

(*) As of December 31, 2013, nostro/ demand deposits includes collaterals amounting to TL 77.223 given to the foreign banks for the derivative transactions.

7. Financial assets at fair value though profit or loss

	December 31, 2014	**December 31, 2013**
Derivative financial instruments	43.957	98.573
Financial assets held for trading	3.157	2.610
Total financial assets held for trading	**47.114**	**101.183**

(Amounts expressed in thousands of TL unless otherwise indicated.)

8. Derivative financial instruments

The Bank utilizes the following derivative instruments with the general purpose of minimising market risk carried by balance sheet instruments and/or meeting customer demand:

"Currency forwards" represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions. Forwards are customized contracts transacted in over-the-counter (OTC) market. The Bank has credit exposure to the counterparties of forward contracts.

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market.

"Options" are contractual agreements that convey the right to the buyer and the obligations to the writer to buy or sell an asset at a specified price either at a fixed future date or at any time within a specified period. Major part of the Bank's option book activity stems from the clients' needs; therefore to meet the client demands Bank actively runs an option book on the residual open positions which are not fully covered.

December 31, 2014

	Contract/ notional amount (aggregate of buy and sell)	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	1.340.262	5.746	7.612
Currency swaps	6.140.511	13.432	14.263
Currency options	6.693.607	15.527	23.157
Total foreign exchange derivatives	**14.174.380**	**34.705**	**45.032**
Interest rate derivatives:			
Interest rate swaps	2.597.894	7.999	4.378
Options	2.049.476	1.253	1.253
Total interest rate derivatives	**4.647.370**	**9.252**	**5.631**
Other derivatives	-	-	-
Total derivative assets/ (liabilities) held for trading	**18.821.750**	**43.957**	**50.663**

(Amounts expressed in thousands of TL unless otherwise indicated.)

8. Derivative financial instruments (continued)

December 31, 2013

	Contract/ notional amount (aggregate of buy and sell)	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	947.036	14.440	6.654
Currency swaps	2.850.559	7.574	42.993
Currency options	5.746.368	72.515	52.655
Total foreign exchange derivatives	**9.543.963**	**94.529**	**102.302**
Interest rate derivatives:			
Interest rate swaps	1.508.360	4.044	1.053
Total interest rate derivatives	**1.508.360**	**4.044**	**1.053**
Other derivatives	**-**	**-**	**-**
Total derivative assets/ (liabilities) held for trading	**11.052.323**	**98.573**	**103.355**

9. Loans and advances to customers

December 31, 2014

	Corporate	Commercial & SME	Retail	Total
Performing loans	7.807.258	8.012.946	1.537.266	17.357.470
Watch listed loans	42.338	367.194	87.870	497.402
Impaired loans	12.877	160.357	90.941	264.175
Gross	**7.862.473**	**8.540.497**	**1.716.077**	**18.119.047**
Loan Loss Provision	8.727	87.778	70.866	167.371
Specific allowance for impairment	2.139	72.015	33.433	107.587
Collective allowance for impairment	6.588	15.763	37.433	59.785
Net	**7.853.746**	**8.452.719**	**1.645.211**	**17.951.675**

(Amounts expressed in thousands of TL unless otherwise indicated.)

9. Loans and advances to customers (continued)

December 31, 2013

	Corporate	Commercial & SME	Retail	Total
Performing loans	5.106.715	5.408.766	734.211	11.249.692
Watch listed loans	26.228	22.032	9.090	57.350
Impaired loans	-	44.427	1.759	46.186
Gross	**5.132.943**	**5.475.225**	**745.060**	**11.353.228**
Loan Loss Provision	10.010	20.168	5.191	35.369
Specific allowance for impairment	-	9.314	394	9.708
Collective allowance for impairment	10.010	10.854	4.797	25.661
Net	**5.122.933**	**5.455.057**	**739.869**	**11.317.859**

Loans and advances to the public sector and private sector are as follows:

	December 31, 2014	December 31, 2013
Public sector	-	-
Private sector	17.951.675	11.317.859
Total	**17.951.675**	**11.317.859**

Movements in the provision for loan losses are as follows:

	December 31, 2014	December 31, 2013
1 January 2013	**35.369**	-
Additions	137.512	35.369
Collections	-	-
Write-offs(*)	(5.510)	-
Total	**167.371**	**35.369**

(*) As of December 31, 2014 with the decision of Board of Directors and in accordance with laws of "Regulations of Provisions", retail loans with special provision at the rate of 100%, without any collateral, amounting to TL 5.510 have been written-off from the balance sheet, by the Bank (December 31, 2013: None).

(Amounts expressed in thousands of TL unless otherwise indicated.)

10. Investment securities

Securities available-for-sale

	December 31, 2014	December 31, 2013
Debt securities - at fair value:		
Turkish Government bonds and treasury bills	485.884	942.532
Lebanese Government Eurobonds and treasury bills	377.170	-
Equity securities - at fair value	-	-
Listed	-	-
Unlisted	-	-
Total securities available-for-sale	**863.054**	**942.532**

As of December 31, 2014 available-for-sale pledged as collateral and also subject to repurchase agreement amount to TL 344.841 (December 31, 2013: TL 465.329).

The movement in available-for-sale securities at during the years is as follows:

	December 31, 2014	December 31, 2013
At January 1	**942.532**	**78.132**
Additions	381.409	924.997
Disposals / redemption	(469.279)	(78.132)
Interest accruals and changes in fair value	8.392	17.535
At December 31	**863.054**	**942.532**

(Amounts expressed in thousands of TL unless otherwise indicated.)

10. Investment securities (continued)

Securities held-to-maturity

	December 31, 2014	December 31, 2013
Debt securities - at amortized cost - listed:		
Turkish Government Eurobonds and treasury bills	300.091	-
Government bonds and treasury bills sold under repurchase agreements	-	-
Eurobonds sold under repurchase agreement	-	-
Foreign government bonds	-	-
Total securities held-to-maturity	**300.091**	**-**

As of December 31, 2014 there is no held to maturity pledged as collateral and also subject to repurchase agreement.

The movement in held-to-maturity securities during the years is as follows:

	December 31, 2014	December 31, 2013
At January 1	-	-
Additions	300.091	-
Redemptions	-	-
Transfers	-	-
Other	-	-
At December 31	**300.091**	**-**

11. Property and equipment

	December 31, 2014	December 31, 2013
Cost	155.528	117.796
Accumulated depreciation and impairment(-)	38.566	13.358
Net book amount	**116.962**	**104.438**

(Amounts expressed in thousands of TL unless otherwise indicated.)

11. Property and equipment (continued)

December 31, 2014	Land and buildings	Office equipment	Furniture and fixtures, vehicles and other	Leasehold improvements	Total
Cost					
At January 1	9.174	42.570	13.514	52.538	117.796
Additions	-	10.559	3.678	23.495	37.732
At December 31	**9.174**	**53.129**	**17.192**	**76.033**	**155.528**
Accumulated depreciation and impairment					
At January 1	(214)	(6.960)	(2.042)	(4.142)	(13.358)
Depreciation charge (Note 24)	(183)	(9.054)	(3.273)	(12.698)	(25.208)
At December 31	**(397)**	**(16.014)**	**(5.315)**	**(16.840)**	**(38.566)**
Net book amount at December 31	**8.777**	**37.115**	**11.877**	**59.193**	**116.962**

December 31, 2013	Land and buildings	Office equipments	Furniture and fixtures, vehicles and other	Leasehold improvements	Total
Cost					
At January 1	9.174	15.262	5.454	14.011	43.901
Additions	-	27.308	8.060	38.527	73.895
At December 31	**9.174**	**42.570**	**13.514**	**52.538**	**117.796**
Accumulated depreciation and impairment					
At January 1	(31)	(1.987)	(226)	(315)	(2.559)
Depreciation charge (Note 24)	(183)	(4.973)	(1.816)	(3.827)	(10.799)
At December 31	**(214)**	**(6.960)**	**(2.042)**	**(4.142)**	**(13.358)**
Net book amount at December 31	**8.960**	**35.610**	**11.472**	**48.396**	**104.438**

12. Intangible assets

	December 31, 2014	December 31, 2013
Cost	78.102	56.303
Accumulated amortization(-)	20.660	8.057
Net book amount	**57.442**	**48.246**

(Amounts expressed in thousands of TL unless otherwise indicated.)

12. Intangible assets (continued)

Movements of other intangible assets were as follows:

December 31, 2014	Rights and licenses	Software	Total
Cost			
At January 1	1.129	55.174	56.303
Additions	-	21.799	21.799
At December 31	1.129	76.973	78.102
Accumulated amortization			
At January 1	107	7.950	8.057
Amortization charge (Note 24)	174	12.429	12.603
At December 31	281	20.379	20.660
Net book amount at December 31	848	56.594	57.442

December 31, 2013	Rights and licenses	Software	Total
Cost			
At January 1	1.118	17.790	18.908
Additions	11	37.384	37.395
At December 31	1.129	55.174	56.303
Accumulated amortization			
At January 1	37	1.081	1.118
Amortization charge (Note 24)	70	6.869	6.939
At December 31	107	7.950	8.057
Net book amount at December 31	1.022	47.224	48.246

13. Other assets

	December 31, 2014	December 31, 2013
Settlement accounts	32.977	25.942
Prepaid expenses (*)	45.641	21.248
Advances and deposits given	25.529	25.785
Tax regularization accounts	-	11.834
Others	9.889	1.819
	114.036	**86.628**

(*) Prepaid expenses mainly constitute prepaid rents, charges and deferred acquisition costs.

(Amounts expressed in thousands of TL unless otherwise indicated.)

14. Deposits

	December 31, 2014	December 31, 2013
Customer deposits	20.432.800	12.038.968
Fiduciary and bank deposits	628.240	332.990
Total Deposits	**21.061.040**	**12.371.958**

December 31,2014	DEMAND			TERM			
	TL	FC	Total	TL	FC	Total	Grand Total
Corporate	132.948	509.481	642.429	1.395.538	3.113.572	4.509.110	5.151.539
Retail	37.128	90.048	127.176	5.570.903	5.638.689	11.209.592	11.336.767
Commercial and SME	305.046	200.199	505.245	1.623.466	1.815.782	3.439.248	3.944.494
Customer Deposits	**475.122**	**799.728**	**1.274.850**	**8.589.907**	**10.568.043**	**19.157.950**	**20.432.800**
Fiduciary and Bank Deposits	**97**	**-**	**97**	**45.733**	**582.410**	**628.143**	**628.240**
Grand Total	**475.219**	**799.728**	**1.274.947**	**8.635.640**	**11.150.453**	**19.786.093**	**21.061.040**

December 31,2013	DEMAND			TERM			
	TL	FC	Total	TL	FC	Total	Grand Total
Corporate	72.370	104.824	177.194	722.024	3.051.465	3.773.489	3.950.683
Retail	31.383	11.838	43.221	4.157.780	2.168.341	6.326.121	6.369.342
Commercial and SME	101.039	173.295	278.334	744.510	696.099	1.440.609	1.718.943
Customer Deposits	**208.792**	**289.957**	**498.749**	**5.624.314**	**5.915.905**	**11.540.219**	**12.038.968**
Fiduciary and Bank Deposits	**-**	**-**	**-**	**48.625**	**284.365**	**332.990**	**332.990**
Grand Total	**208.792**	**289.957**	**498.749**	**5.672.939**	**6.200.270**	**11.873.209**	**12.371.958**

(Amounts expressed in thousands of TL unless otherwise indicated.)

15. Debt securities issued, subordinated loans, due to banks and funds obtained under repurchase agreements

	December 31, 2014	December 31, 2013
Subordinated loan (a)	353.655	639.209
Due to banks (b)	1.411.123	1.167.373
Debt Securities Issued (c)	137.483	-
Funds provided under repurchase agreement (d)	138.889	221.454
Total	**2.041.150**	**2.028.036**

(15-a) The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by "Regulation on Equity of Banks".

(15-b) Information on due to banks:

a) Information on banks and other financial institutions:

	December 31, 2014			December 31, 2013		
	TL	FC	Total	TL	FC	Total
From Domestic Banks and Institutions	8.760	13.683	22.443	3.008	1.926	4.934
From Foreign Banks, Institutions and Funds	-	1.388.680	1.388.680	-	1.162.439	1.162.439
Total	**8.760**	**1.402.363**	**1.411.123**	**3.008**	**1.164.365**	**1.167.373**

b) Maturity analysis of borrowings:

	December 31, 2014			December 31, 2013		
	TL	FC	Total	TL	FC	Total
Short-term	6.721	771.114	777.835	1.836	773.296	775.132
Medium and long-term	2.039	631.249	633.288	1.172	391.069	392.241
Total	**8.760**	**1.402.363**	**1.411.123**	**3.008**	**1.164.365**	**1.167.373**

(15-c) In accordance with the Board of Directors' decision and permits taken from the CMB and BRSA, the Bank has issued a bill with a nominal value of TL 150.000, maturity of 6 months, discounted and with a simple interest rate of 10% on May 26, 2014 and a bill amounting to TL 150.000, maturity of 6 months, with a simple interest rate of 9,86% on August 18, 2014, both to be sold to qualified investors in the domestic market.

(15-d) As of December 31, 2014, the Bank has also Funds provided under repurchase agreements amounting to TL 138.889 (December 31, 2013: 221.454).

(Amounts expressed in thousands of TL unless otherwise indicated.)

16. Taxation

	December 31, 2014	December 31, 2013
Current tax income/expense	(18.501)	1.483
Deferred tax income	8.183	19.672
Tax income/(expense)	**(10.318)**	**21.155**
Income taxes currently payable	18.501	-
Prepaid taxes	14.411	-
Income taxes payable	**4.090**	**-**

Through the enactment of Corporate Tax Law No.5520 ("New Corporate Tax Law") published in the Official Gazette No.26205 dated June 21, 2006, corporation tax is payable at the rate of 20% effective from January 1, 2006 on the total income of the entities in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or kept in a special fund for 5 years in accordance with the New Corporate Tax Law.

Under the Turkish taxation system, tax losses can be carried forward for offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and if they find any corrections then the tax amount to be paid might be changed as well.

(Amounts expressed in thousands of TL unless otherwise indicated.)

16. Taxation (continued)

Reconciliation between the theoretical tax amount that would arise using the basic tax rate of the Bank and the actual taxation charge for the year is stated below:

	December 31, 2014	December 31, 2013
Profit/(loss) before income taxes	**48.043**	**(106.111)**
Theoretical income tax at the applicable tax rate of 20%	9.609	(21.222)
Effect of different tax rates in other countries	-	-
Non-taxable consolidation adjustments	-	-
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses for tax purposes	709	67
Tax income/(expense)	**10.318**	**(21.155)**

Deferred income taxes

For the Bank, deferred income taxes are calculated on temporary differences that are expected to be realized or settled under the liability method using a principal tax rate of 20% at December 31, 2014.

The deferred income tax assets and liabilities represent the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return in accordance with the applicable tax law plus any available tax loss carried forward from previous years.

The temporary differences giving rise to the deferred income tax assets and deferred income tax liabilities are as follows:

	Cumulative Temporary Differences	Deferred Tax Asset/ Liability	Cumulative Temporary Differences	Deferred Tax Asset/ Liability
	December 31, 2014	December 31, 2014	December 31, 2013	December 31, 2013
Allowance for unused vacation and other short term employee benefits	41.918	8.384	28.143	5.629
Net Book Value and Tax Value Differences of Financial Assets and derivative financial liabilities	66.786	13.357	119.165	23.833
Deferred Commissions	55.605	11.121	34.128	6.826
Tax Losses	-	-	27.982	5.596
Collective Provisions	59.785	11.957	25.661	5.132
Other	2.507	501	4.160	832
Deferred income tax assets	**226.601**	**45.320**	**239.239**	**47.848**
Net Book Value and Tax Value Differences of derivative financial assets	46.136	9.227	98.573	19.715
Difference between carrying value and tax base of property and equipment	26.247	5.249	23.238	4.648
Other	2.441	679	167	33
Deferred income tax liabilities	**74.824**	**15.155**	**121.978**	**24.396**
Deferred income tax assets, net	**151.777**	**30.165**	**117.261**	**23.452**

(Amounts expressed in thousands of TL unless otherwise indicated.)

16. Taxation (continued)

The movements of net deferred income taxes during the years were as follows:

	December 31, 2014	December 31, 2013
Balance at January 1	**23.452**	**1.677**
(Charge) / credit for the year, net	8.183	19.672
Available-for-sale revaluation reserve	(1.470)	2.103
Balance at December 31	**30.165**	**23.452**

There are no deductible temporary differences for which no deferred tax asset is recognized in the statement of financial position.

Income tax effects relating to components of other comprehensive income

	December 31, 2014		
	Before tax amount	Tax (expense) benefit	Net-of tax amount
Fair value gains on available-for- sale financial assets	7.347	(1.470)	5.877
Other comprehensive income/(loss) for the year (net presentation)	**7.347**	**(1.470)**	**5.877**

	December 31, 2013		
	Before tax amount	Tax (expense) benefit	Net-of tax amount
Fair value gains on available-for- sale financial assets	(10.516)	2.103	(8.413)
Other comprehensive income/(loss) for the year (net presentation)	**(10.516)**	**2.103**	**(8.413)**

17. Employee benefits

	December 31, 2014	December 31, 2013
Employee termination benefit provision	2.689	905
Unused vacation provision	3.614	2.238
Personnel premium	35.615	25.000
Total of provision for employee benefits	**41.918**	**28.143**

(Amounts expressed in thousands of TL unless otherwise indicated.)

17. Employee benefits (continued)

Reserve for employment termination benefits

Under the Turkish Labour Law, theBank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, who dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The principal actuarial assumptions used at the dates of financial position are as follows:

	December 31, 2014	December 31, 2013
Discount rate	3,24	3,28
Expected rates of salary/limit increases	5,00	6,50

18. Other liabilities and accrued expenses

	December 31, 2014	December 31, 2013
Cheques in clearance	62.344	36.157
Unearned commissions and premiums	55.605	34.127
Operational Taxes Payable	35.033	22.640
Social security duties	2.262	1.673
Due to national institute for guarantee of deposits	2.067	616
Miscellaneous payables	73.491	60.119
Total	**230.802**	**155.332**

(Amounts expressed in thousands of TL unless otherwise indicated.)

19. Share capital

As of December 31, 2014 the historic amount of paid-in share capital of the Bank consists of 1.496.150.000 authorized shares with a nominal value of TL 1 each.

The issued and fully paid-in share capital and share premium are as follows:

	December 31, 2014		December 31, 2013	
Shareholders	Participation rate (%)	TL	Participation rate (%)	TL
Audi s.a.l.	93,827	1.403.787	93,827	1.403.787
Audi Saradar Private Bank s.a.l.	6,062	90.698	6,062	90.698
Raymond W. AUDI	0,037	555	0,037	555
Samir N. HANNA	0,037	555	0,037	555
Freddie C. BAZ	0,037	555	0,037	555
Historical share capital	**100,00**	**1.496.150**	**100,00**	**1.496.150**
Total share capital	**100,00**	**1.496.150**	**100,00**	**1.496.150**

The subordinated loans obtained from its controlling shareholder Bank Audi sal amounting to USD 100 million and USD 200 million are classified (Total TL 699.480) as a capital contrubition by shareholders. Pursuant to the resolution taken by the Board of Directors of Odea Bank and Article 7 of the Regulation on Equity of Banks, the types of both loans were changed to perpetual and interest-free.

20. Other Reserves

	December 31, 2014	December 31, 2013
Statutory reserve	-	-
Revaluation reserve - available-for-sale investments	(2.669)	(8.546)
Total other reserves	**(2.669)**	**(8.546)**

Under the Turkish Commercial Code (TCC), the Bank is required to create the following legal reserves from appropriation of earnings, which are available for distribution only in the event of liquidation or losses:

a) First legal reserve, appropriated at the rate of 5% of net income, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of at least 10% of distribution in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless the reserve exceeds 50% of paid-in share capital.

(Amounts expressed in thousands of TL unless otherwise indicated.)

21. Net interest income

	December 31, 2014	December 31, 2013
Interest & similar income		
Cash and balances with Central Banks	881	995
Due from banks & financial institutions	44.432	13.977
Reverse repurchase agreements	96.648	78.235
Financial assets held at fair value through P&L	278	6.554
AFS financial assets	76.125	48.473
Financial assets classified at amortized cost	6.349	-
Loans and advances to customers	1.413.098	523.922
Other interest & similar income	27.874	39.214
Total interest & similar income	**1.665.685**	**711.370**
Interest & similar expense on:		
Due to banks and financial institutions	22.797	12.151
Repurchase agreement	16.334	10.155
Customers deposits	994.688	499.507
Debt issued & other borrowed funds	11.697	-
Subordinated loans and similar debts	12.034	13.067
Other interest and similar charges	88.842	6.368
Total interest & similar expense	**(1.146.392)**	**(541.248)**
Net interest income	**519.293**	**170.122**

22. Net fee and commission income

	December 31, 2014	December 31, 2013
Fee and commission income on:		
General banking income	5.368	3.063
Brokerage and Custody Income	1.710	69
Trade Finance Income	15.788	6.769
Electronic Cards	21.256	1.247
Insurance Income	5.966	844
Corporate Finance	6.303	339
Other Fees and commissions	524	2.863
Total fee and commission income	**56.915**	**15.194**
Fee and commission expense on:		
General banking expense	(1.499)	(864)
Electronic cards	(8.809)	(966)
Other	(4.280)	(5.689)
Total fee and commission expense	**(14.588)**	**(7.519)**
Net fee and commission income	**42.327**	**7.675**

(Amounts expressed in thousands of TL unless otherwise indicated.)

23. Net trading and fair value income and net gains / losses from investment securities

	December 31, 2014	December 31, 2013
Gains/losses from derivatives, net	3.557	44.052
Foreign exchange gains/losses, net (*)	1.630	(34.678)
Treasury Bills and Bonds	19.762	1.080
	24.949	**10.454**

(*) Foreign exchange net trading income includes gains and losses from spot and forward contracts, options and translated foreign currency assets and liabilities.

24. Other operating expenses

	December 31, 2014	December 31, 2013
Personnel expenses	**203.303**	**130.164**
Salaries and related benefits	164.647	106.716
Food and Beverage	4.095	2.090
Medical and life insurance	4.064	1.999
Social and regulatory expenses	14.082	7.676
Training and Seminars	1.107	267
Transportation	12.085	8.811
Charges for end of service benefits	1.565	905
Other staff expenses	1.658	1.700
Other operating expenses	**160.330**	**111.109**
Buildings rental and related expenses	37.160	21.553
Maintenance Machines and Material	1.253	308
Insurance premiums	953	504
Advertising fees	28.327	35.349
Telephone and mailing expenses	7.903	3.415
Subscription to communication services	2.531	1.862
Office supplies	2.683	2.120
Information technology	18.180	12.921
Professional and outsourcing fees	21.475	14.017
Regulatory fees	6.246	2.528
Taxes and similar disbursements	10.738	5.617
Credit cards expenses	7.896	1.444
Premium for guarantee of deposits	7.322	2.992
Other expenses	7.663	6.479
Depreciation of property & equipment	**25.208**	**10.798**
Amortization of intangible assets	**12.603**	**6.939**
Total	**401.444**	**259.010**

(Amounts expressed in thousands of TL unless otherwise indicated.)

25. Commitments and contingent liabilities

In the normal course of its activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in these financial statements, including letters of guarantee, acceptances and letters of credit. The following is a summary of significant commitments and contingent liabilities.

Legal proceedings

As of balance sheet date, there is no case filed against to the Bank where the Bank is assessing as probable to lose.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as and if required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

December 31, 2014(*)	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	-	431.685	-	-	431.685
Letter of guarantees	-	1.005.914	-	-	1.005.914
Acceptance credits	-	54.686	-	-	54.686
Other commitments	-	-	-	-	-
Total		**1.492.285**	**-**	**-**	**1.492.285**

December 31, 2013(*)	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	-	146.013	-	-	146.013
Letter of guarantees	-	744.241	-	-	744.241
Acceptance credits	-	44.079	-	-	44.079
Other commitments	-	-	-	-	-
Total	**-**	**934.333**	**-**	**-**	**934.333**

(*) Based on original maturities.

(Amounts expressed in thousands of TL unless otherwise indicated.)

25. Commitments and contingent liabilities (continued)

Assets Under Management

Assets under management include client assets managed or deposited with the Bank, where, the client decide how these assets are to be invested.

As of December 31, 2014, assets under management comprise of mutual funds and bills and bonds amounting TL 236.022 (December 31, 2013: TL 13.612).

26. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Bank Audi.

A number of transactions were entered into with related parties in the normal course of business,

(i) Balances with related parties:

	December 31, 2014	December 31, 2013
Other related parties		
Deposits	570.736	343.965
Direct and indirect shareholders of the Bank		
Deposits	12.737	-
Direct and indirect shareholders of the Bank		
Debt securities and other funds borrowed	586.815	852.249
Total liabilities	**1.170.288**	**1.196.214**
Direct and indirect shareholders of the Bank		
Commitment under derivative instruments	-	198.695
Credit related commitments	18.221	16.119
Total commitments and contingent liabilities	**18.221**	**214.814**

(ii) Transactions with related parties:

	December 31, 2014	December 31, 2013
Total interest and fee income	**-**	**-**
Interest expense on deposits	11.484	856
Interest expense on derivative transactions	-	1.722
Interest expense on debt securities and other funds borrowed	23.050	14.481
Total interest and fee expense	**34.534**	**17.059**

(iii) Balances with directors and other key management personnel:

Gross payment made to the executive management in 2014 is TL 14.229.

27. Subsequent events

In accordance with the Board of Directors' decision and permits taken from the CMB and BRSA, the Bank has issued a bill with a nominal value of TL 81.462, maturity of 6 months, discounted and with a simple interest rate of 9,75% on 25 February 2015 to be sold to qualified investors in the domestic market.