Finansbank Anonim Şirketi
And Subsidiaries

Consolidated Financial Statements as at and for the Years Ended December 31, 2012, 2011 and 2010

Contents

Independent Auditor's Report

To the Board of Directors of
Finansbank Anonim Şirketi
İstanbul

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Finansbank A.Ş. (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statements of financial position as at December 31, 2012, 2011 and 2010 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of Finansbank Anonim Şirketi and its subsidiaries as at December 31, 2012, 2011 and 2010 and of their financial performance and cash flows for each of the three years then ended in accordance with International Financial Reporting Standards.

Istanbul, April 29, 2013

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

Certification of the Board of Directors and Chief Financial Officer

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

The financial statements for the annual period ended December 31, 2012, 2011 and 2010 have been prepared in accordance with the current accounting standards and present a true and fair view of the assets, liabilities equity and results of operations of the Bank and of the consolidated companies included in the consolidation.

March 26, 2013

Mehmet Ömer Arif Aras	**Sinan Şahinbaş**	**Mustafa A. Aysan**
Chairman	Vice Chairman	Member of the Board of Directors and Chairman of the Audit Committee

Temel Güzeloğlu	**Adnan Menderes Yayla**
General Manager and Member of the Board of Directors	Chief Financial Officer

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

		12 month period ended December 31,		
	Notes	**2012**	**2011**	**2010**
Interest income	6	5,989,507	4,787,596	4,028,901
Interest expense	6	(3,066,206)	(2,699,953)	(1,946,467)
Net interest income		**2,923,301**	**2,087,643**	**2,082,434**
Fee and commission income	7	976,079	771,433	552,058
Fee and commission expense	7	(50,340)	(43,111)	(35,967)
Net fee and commission income		**925,739**	**728,322**	**516,091**
Earned premium net of reinsurance	8	121,942	115,451	88,284
Net claims incurred	8	(30,598)	(34,602)	(30,564)
Earned premium net of claims and commissions		**91,344**	**80,849**	**57,720**
Dividend income		249	258	326
Net trading income and results from investment securities	9	(1,313)	110,185	107,607
Other operating income	10	361,197	42,721	50,827
Total operating income		**4,300,517**	**3,049,978**	**2,815,005**
Personnel expenses	11	(827,942)	(737,939)	(632,790)
General and administrative expenses	13	(796,787)	(685,463)	(619,174)
Depreciation, amortization and impairment charges	14	(150,420)	(128,021)	(108,245)
Impairment losses on loans and advances to customers, finance lease receivables, factoring receivables and other impariment charges	15	(609,587)	(345,061)	(272,935)
Share of gains/(losses) of joint ventures	27	4,090	219	576
Other operating expenses	16	(115,568)	(57,294)	(50,525)
Profit before tax		**1,804,303**	**1,096,419**	**1,131,912**
Income tax expense	17	(325,428)	(246,755)	(218,715)
Profit for the year		**1,478,875**	**849,664**	**913,197**
Attributable to:				
Equity holders of the Parent		1,462,834	836,053	898,405
Non-controlling interest		16,041	13,611	14,792
Earnings per share - Basic and Diluted (Full TL)	18	0.0570	0.0326	0.0350

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

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

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

		12 month period ended December 31,		
	Notes	**2012**	**2011**	**2010**
Profit for the year		**1,478,875**	**849,664**	**913,197**
Other comprehensive income				
Available-for-sale investments reserve	26	560,742	(468,283)	55,120
Net change in fair value		489,293	(235,099)	173,362
Net amount transferred to profit or loss		71,449	(233,184)	(118,242)
Net gains / (losses) on cash flow hedges		(4,581)	18,519	(26,470)
Net change in fair value		(8,273)	13,797	(26,129)
Net amount transferred to profit or loss		3,692	4,722	(341)
Income tax relating to components of other comprehensive income	30	**(111,232)**	**89,953**	**(5,730)**
Other comprehensive income for the year, net of tax		**444,929**	**(359,811)**	**22,920**
Total comprehensive income for the year		**1,923,804**	**489,853**	**936,117**
Total comprehensive income attributable to:		**1,923,804**	**489,853**	**936,117**
Equity holders of the Parent		1,907,763	476,242	921,325
Non-controlling interests		16,041	13,611	14,792

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

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

	Notes	December 31, 2012	December 31, 2011	December 31, 2010
ASSETS				
Cash and balances with T.R. Central Bank	19	5,327,955	2,964,593	2,394,476
Due from banks	20	2,238,409	2,095,889	1,020,904
Financial assets at fair value through profit or loss	21	144,073	102,670	207,583
Derivative financial assets	22	731,778	2,015,597	421,018
Loans and advances to customers	23	37,050,704	30,960,428	26,152,685
Factoring receivables	24	368,563	255,831	221,065
Finance lease receivables	25	1,010,205	1,000,203	918,424
Available for sale investments	26	7,161,283	6,833,524	7,230,439
Investments in joint ventures	27	202,192	3,186	2,967
Intangible assets	28	181,342	147,264	110,866
Property and equipment	29	458,191	422,072	392,463
Deferred tax assets	30	8,224	16,076	28,293
Insurance related assets and receivables	31	-	28,204	16,692
Other assets	32	863,755	552,259	462,224
Total assets		**55,746,674**	**47,397,796**	**39,580,099**
LIABILITIES				
Due to other banks	33	2,880,027	2,361,602	2,037,579
Customer deposits	34	31,673,576	28,733,320	23,176,517
Derivative financial liabilities	22	913,725	1,272,290	802,315
Debt securities issued	35	4,204,536	1,443,488	417,340
Funds borrowed	36	5,035,991	5,132,226	5,237,439
Insurance related reserves and liabilities	37	-	78,461	48,609
Current tax liabilities	17	97,897	85,880	72,849
Deferred tax liabilities	30	110,036	73,178	159,434
Retirement benefit obligations	12	41,973	34,784	28,682
Other liabilities	38	2,312,153	1,602,101	1,500,339
Total liabilities		**47,269,914**	**40,817,330**	**33,481,103**
EQUITY				
Share capital issued	40	2,565,000	2,440,000	2,205,000
Share premium		714	714	665
Available for sale investments reserve, net of tax		196,898	(251,696)	122,930
Net losses on cash flow hedges		(10,026)	(6,361)	(21,176)
Reserves and retained earnings	41	5,572,538	4,235,404	3,646,329
Equity attributable to owners of the Group		**8,325,124**	**6,418,061**	**5,953,748**
Non-controlling interest		151,636	162,405	145,248
Total equity		**8,476,760**	**6,580,466**	**6,098,996**
Total equity and liabilities		**55,746,674**	**47,397,796**	**39,580,099**

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

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated

	Note	Share capital	Share premium	Available for sale investments reserve, net of tax	Net gains / (losses) on cash flow hedges, net of tax	Reserves and retained earnings	Equity attributable to owners of the Group	Non-controlling interest	Total
Balance at January 1, 2010		1,575,000	-	78,834	-	2,831,554	4,485,388	147,531	4,632,919
Profit for the year		-	-	-	-	898,405	898,405	14,792	913,197
Other comprehensive income for the year, net of tax		-	-	44,096	(21,176)	-	22,920	-	22,920
Total comprehensive income for the year, net of tax		**-**	**-**	**44,096**	**(21,176)**	**898,405**	**921,325**	**14,792**	**936,117**
Issue of share capital	40	630,000	665	-	-	(82,857)	547,808	-	547,808
Changes in consolidation structure due to acquisition of the shares from non-controlling interest in subsidiaries		-	-	-	-	(1,092)	(1,092)	(19,423)	(20,515)
Changes in consolidation structure due to disposal of the shares from non-controlling interest in subsidiaries		-	-	-	-	319	319	2,348	2,667
Balance at December 31, 2010		**2,205,000**	**665**	**122,930**	**(21,176)**	**3,646,329**	**5,953,748**	**145,248**	**6,098,996**
Profit for the year		-	-	-	-	836,053	836,053	13,611	849,664
Other comprehensive income for the year, net of tax		-	-	(374,626)	14,815	-	(359,811)	-	(359,811)
Total comprehensive income for the year, net		**-**	**-**	**(374,626)**	**14,815**	**836,053**	**476,242**	**13,611**	**489,853**
Issue of share capital	40	235,000	49	-	-	(118,667)	116,382	-	116,382
Dividends paid		-	-	-	-	(129,752)	(129,752)	-	(129,752)
Changes in consolidation structure due to disposal of the shares to non-controlling interest in subsidiaries		-	-	-	-	1,441	1,441	3,546	4,987
Balance at December 31, 2011		**2,440,000**	**714**	**(251,696)**	**(6,361)**	**4,235,404**	**6,418,061**	**162,405**	**6,580,466**
Profit for the year		-	-	-	-	1,462,834	1,462,834	16,041	1,478,875
Other comprehensive income for the year, net of tax		-	-	448,594	(3,665)	-	444,929	-	444,929
Total comprehensive income for the year, net of tax		**-**	**-**	**448,594**	**(3,665)**	**1,462,834**	**1,907,763**	**16,041**	**1,923,804**
Issue of share capital	40	125,000	-	-	-	(125,000)	-	-	-
Changes in consolidation structure due to acquisition of the shares from non-controlling interest in subsidiaries		-	-	-	-	(700)	(700)	(26,810)	(27,510)
Balance at December 31, 2012		**2,565,000**	**714**	**196,898**	**(10,026)**	**5,572,538**	**8,325,124**	**151,636**	**8,476,760**

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

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

		12 month period ended December 31,		
	Note	**2012**	**2011**	**2010**
Cash flows from operating activities				
Interest received		6,052,995	4,707,415	4,145,132
Interest paid		(3,158,823)	(2,642,969)	(1,707,835)
Income from associates and dividends received		248	258	326
Fee and commission received		976,079	771,433	552,058
Earned premium net of claims and commissions		46,022	110,564	74,346
Trading gain / (loss)		531,634	(707,260)	268,982
Recoveries of loans previously written off and impaired loans		535,559	353,594	524,043
Fee and commission paid		(50,164)	(43,111)	(35,967)
Cash payments to employees and suppliers		(1,269,041)	(1,125,964)	(1,022,597)
Cash received from other operating activities		34,866	33,499	45,330
Cash paid for other operating activities		(277,366)	(324,467)	(721,057)
Income and other taxes paid		(472,055)	(318,001)	(279,179)
Cash flows from operating activities before changes in operating assets and liabilities		**2,949,954**	**814,991**	**1,843,582**
Changes in operating assets and liabilities				
Due from banks		(1,733,531)	(1,971,907)	(4,322)
Financial assets at fair value through profit or loss		(39,188)	99,430	15,973
Loans and advances to customers		(7,097,722)	(5,062,425)	(6,765,425)
Factoring receivables		(112,732)	(37,658)	(184,019)
Finance lease receivables		(55,638)	(29,522)	21,138
Other assets		(438,506)	(48,258)	(14,768)
Due to other banks		514,415	321,767	330,915
Customer deposits		2,894,882	5,408,769	4,388,515
Other liabilities		756,776	82,652	337,189
Net cash used in operating activities		**(2,361,290)**	**(422,161)**	**(31,222)**
Cash flows from investing activities				
Purchases of available for sale investment securities	26	(10,088,913)	(13,063,752)	(22,515,758)
Proceeds from sale and redemption of available for sale investment securities		10,403,556	13,325,517	21,011,659
Acquisitions of subsidiaries, net of cash acquired		-	-	(22,516)
Disposal of subsidiary, net of cash disposed	46	99,223	-	-
Acquisitions of property and equipment	29	(133,913)	(118,080)	(74,532)
Proceeds from the disposal of property and equipment		1,384	2,089	14,828
Acquisitions of intangible assets	28	(91,740)	(78,923)	(66,869)
Proceeds from the sale of intangible assets		1,572	-	-
Net cash provided by / (used in) investing activities		**191,169**	**66,851**	**(1,653,188)**
Cash flows from financing activities				
Proceeds on issue of equity shares		-	116,382	547,143
Acquisitions of subsidiaries, net of cash acquired	47	(27,510)	-	-
Disposal of shares in subsidiaries		-	4,987	4,071
Proceeds from funds borrowed and debt securities issued		6,995,713	4,846,000	3,943,522
Payments of funds borrowed and debt securities issued		(4,056,162)	(4,875,621)	(2,633,951)
Dividends paid to equity holders of the parent		-	(110,292)	(22,909)
Net cash provided by financing activities		**2,912,041**	**(18,544)**	**1,837,876**
Effect of net foreign exchange differences		30,468	48,018	52,031
Net increase / (decrease) in cash and cash equivalents		772,388	(325,836)	205,497
Cash and cash equivalents at the beginning of the year	43	3,082,849	3,408,685	3,203,188
Cash and cash equivalents at the end of the year	**43**	**3,855,237**	**3,082,849**	**3,408,685**

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

1 General information

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

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

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

As of December 31, 2012 77.23% of the Bank's shares are owned by National Bank of Greece S.A. Additional shareholdings of 7.90% and 9.68% are held by NBG International Holdings B.V. and NBG Finance (Dollar) PLC respectively, both 100% subsidiaries of NBG. Therefore, the NBG Group owns 94.8% of the Bank. A shareholding of 5% is held by International Finance Corporation ("IFC") and is subject to put and call option agreements with NBG and the remaining 0.19% is publicly traded.

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

The accompanying consolidated financial statements of the Bank for the year ended December 31, 2012 comprise the Bank and its subsidiaries (together referred to as the "Group") listed in note 45.

Nature of Activities of the Bank / Group

The Group's activities include trade finance, corporate and commercial banking, treasury, retail banking and credit card operations. The Bank operates through a total of 582 branches, of which 580 are domestic branches, 1 is the İstanbul Atatürk Airport Free Trade Zone, and an off-shore banking branch in Bahrain.

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

The Board of Directors consists of the following members:

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

Non-Executive Members	**Title**	**Date of Appointment**
Antonios Grammatikopoulos	Board Member	June 7, 2012
Stefanos Pantzopoulos	Board Member	October 16, 2012
Edward Nassim	Board Member	April 17, 2007
Paul Mylonas	Board Member and Member of Audit Committee	March 11, 2010
Michael A. Oratis	Board Member and Member of Audit Committee	March 2, 2011
Prof. Dr. Mustafa Aydın Aysan	Board Member and Head of Audit Committee	November 9, 2006
Mustafa Hamdi Gürtin	Board Member	April 16, 2010
Dimitrios Frangetis	Board Member	September 20, 2012
Christos Alexis Komninos	Board Member	February 16, 2011

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

These financial statements have been approved for issue by the Bank's Board of Directors on March 26, 2013.

Ali Teoman Kerman was appointed as a Board Member on April 16 2013.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention except for financial assets measured at fair value such as derivative financial instruments, financial assets at fair value through profit or loss, available-for-sale investments and loans which are designated at fair value through profit or loss.

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

The Bank and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the Banking Regulation and Supervision Agency (BRSA), the Capital Markets Board, Turkish Commercial Code and Turkish tax legislation.

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

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

2.2 Adoption of International Financial Reporting Standards (IFRS)

2.2.1 New and Revised IFRSs affecting presentation and disclosure only

None.

2.2.2 New and Revised IFRSs affecting the reported financial performance and / or financial position

None.

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

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 7 *Disclosures - Transfers of Financial Assets*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

Amendments to IAS 12 *Deferred Taxes – Recovery of Underlying Assets*

The amendment is effective for annual periods beginning on or after January 1, 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The Group does not have investment property. The amendment did not have any effect on the financial statements.

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

2.2.4 New and Revised IFRSs in issue but not yet effective

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

Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[1]
Amendments to IAS 1	*Clarification of the Requirements for Comparative Information*[2]
IFRS 9	*Financial Instruments*[5]
IFRS 10	*Consolidated Financial Statements*[3]
IFRS 11	*Joint Arrangements*[3]
IFRS 12	*Disclosure of Interests in Other Entities*[3]
IFRS 13	*Fair Value Measurement*[3]
Amendments to IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[3]
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*[5]
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide*[3]
IAS 19 (as revised in 2011)	*Employee Benefits*[3]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[3]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[3]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[4]
Amendments to IFRSs	*Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[3]

[1] Effective for annual periods beginning on or after July 1, 2012.
[2] Effective for annual periods beginning on or after 1 January 2013 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012.
[3] Effective for annual periods beginning on or after January 1, 2013.
[4] Effective for annual periods beginning on or after January 1, 2014.
[5] Effective for annual periods beginning on or after January 1, 2015.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* is effective for the annual periods beginning on or after July 1, 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 *Presentation of Financial Statements*

(as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after January 1, 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Group management anticipates that the application of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted provided all of these standards are applied at the same time. The Group management anticipates that the application of these five standards will not have an impact on amounts reported in the consolidated financial statements.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Group management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 and IAS 32 ***Offsetting Financial Assets and Financial Liabilities and the related disclosures***

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

The Group management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IAS 19 ***Employee Benefits***

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a ‘net-interest’ amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

The Group management anticipates that IAS 19(2011) will be adopted in the Group’s financial statements for the annual period beginning on January 1, 2013 and these amendments will have a significant impact on its profit or loss or financial position.

***Annual Improvements to IFRSs 2009 - 2011 Cycle* issued in May 2012**

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRSs include:

- Amendments to IAS 16 *Property, Plant and Equipment*; and
- Amendments to IAS 32 *Financial Instruments: Presentation*.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Group management does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's financial statements.

2.3 Consolidation

2.3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (including special purpose entities), which are entities controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

2.3.2 Non-controlling interests

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

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

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

2.3.4 Loss of control

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

2.3.5 Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5. Investments in joint ventures for which significant influence is intended to be temporary because such investments are acquired and held exclusively with a view to their subsequent disposal within twelve months from their acquisition, are recorded as assets held for sale.

Under the equity method of accounting, the investment is initially recorded at cost. Goodwill arising on the acquisition of a joint venture is included in the carrying amount of the investment (net of any accumulated impairment loss). The carrying amount of the investment is increased or decreased by the proportionate share of the associate's post-acquisition profits or losses (recognized in the Group income statement) and movements in reserves (recognized in reserves). Dividends received from the joint venture during the year reduce the carrying value of the investment. Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred. Where necessary, the joint venture's financial statements used in applying the equity method are adjusted to ensure consistency with the accounting policies adopted by the Group.

2.4 Business combinations

2.4.1 Acquisition method

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the income statement as incurred.

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

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

2.4.2 Goodwill

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

2.4.3 Contingent consideration

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37, as appropriate, with the corresponding gain or loss being recognized in the income statement.

2.4.4 Business combination achieved in stages

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

2.5 Foreign currency transactions

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

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

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

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

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

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

Foreign currency translation rates used by the Group as of December 31, 2012, 2011 and 2010 are as follows:

	EUR / TL	**USD / TL**
December 31, 2012	2.3517	1.7826
December 31, 2011	2.4592	1.9065
December 31, 2010	2.0491	1.5460

2.6 Regular way purchases and sales

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

2.7 Derivative financial instruments and hedge accounting

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

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

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

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

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

2.7.1 Fair value hedges

For qualifying fair value hedges, the change in fair value of the hedging derivative is recognized in the income statement along with the corresponding change in the fair value of the hedged item that is attributable to that specific hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, for reasons other than the de-recognition of the hedged item, or the hedging designation is revoked, the cumulative adjustment to the carrying amount of the hedged item, is, in the case of interest bearing financial instruments, amortized to the income statement over the remaining term of the original hedge item. If the hedged item has been derecognized, e.g. sold or repaid, the unamortized fair value adjustment is recognized immediately in the income statement.

2.7.2 Cash flow hedges

Fair value gains or losses associated with the effective portion of a derivative designated as a cash flow hedge are recognized initially in other comprehensive income. When the cash flows that the derivative is hedging (including cash flows from transactions that were only forecast when the derivative hedge was effected) materialize, resulting in income or expense, then the associated gain or loss on the hedging derivative is simultaneously transferred from other comprehensive income to corresponding income or expense line item.

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

2.7.3 Hedge effectiveness testing

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

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

Hedge ineffectiveness is recognized in the income statement.

2.8 Offsetting

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

2.9 Interest income and expenses

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

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

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

2.10 Fees and commissions

Fee and commission income is generally recognized on an accrual basis over the period the service is provided. Commission and fee arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. The fee and commissions paid to other institutions are considered as transaction cost and included in the amortized cost by using internal rate of return method.

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

This category has the following two sub-categories:

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

2.11.1 Trading

The trading category includes securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are included in a portfolio in which a pattern of short-term profit taking exists, and derivatives unless they are designated as and are effective hedging instruments.

Trading securities may also include securities sold under sale and repurchase agreements (see Note 2.16 below).

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

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

2.11.3 Measurement

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

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

Interest income generated from financial assets are recognized under net interest income in the income statement.

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

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

2.12 Available for sale investments

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

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

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

Particularly for equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement) is removed from other comprehensive income and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

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

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

2.13 Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Group, where money is provided directly to the borrower.

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

2.14 Impairment losses on loans and advances to customers

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

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

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

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

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

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

(c) The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

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

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

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

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

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

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

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

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

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

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

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

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

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

2.15 Renegotiated loans

Once the terms of a loan have been renegotiated, after a review at a minimum six months, and the minimum amount of payments has been made and all other conditions required under the new arrangement have been fulfilled, the loan is no longer considered past due. The minimum amount of payments depends on the rating of the customer in a range between 15% and 50%. The Group continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

2.16 Sale and repurchase agreements

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

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

2.17 Securities borrowing and lending

Securities borrowed and securities lent are recorded at the amount of cash collateral advanced or received, plus accrued interest. Securities borrowed and securities received as collateral under securities lending transactions are not recognized in the financial statements unless control of the contractual rights that comprise these securities transferred is gained or sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

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

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

2.18 Financial liabilities and equity

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

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

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

2.19 Derecognition

2.19.1 Financial assets

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

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

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

2.19.2 Financial liabilities

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

2.20 Fair value of financial instruments

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

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

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

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

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

2.21 Property and equipment

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

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

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

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

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

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

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

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

2.22 Intangible assets

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

Goodwill

Subsequent to initial recognition, goodwill is stated at cost, as established at the date of acquisition (see 2.4.2) less accumulated impairment losses.

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

The Group assesses goodwill for possible impairment annually or more frequently if there are indications for impairment. The assessment involves estimating whether the carrying amount of the goodwill remains fully recoverable. When making this assessment the Group compares the carrying value of the CGU to which the goodwill is allocated to its recoverable amount, which is the higher of fair value less cost to sell and value in use. Fair value is estimated by reference to market value, if available, or is determined by a qualified evaluator or pricing model. Determination of a fair value and value in use requires management to make assumptions and use estimates. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognized, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount.

Internally generated software

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

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

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

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

Purchased software

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

Measurement

Software costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 12 years.

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

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

2.23 Leases

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

2.23.1 The Group as a lessee

Finance leases: Leases where the Group has substantially all the risks and rewards of ownership of the asset are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the income statement over the lease period. All assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

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

2.23.2 The Group as a lessor

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

Impairment losses on finance lease receivables

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

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

2.24 Factoring receivables

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

2.25 Cash and cash equivalents

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

2.26 Provisions

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

2.27 Financial guarantee contracts

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

2.28 Employee benefits

The Group has only defined benefit plans as described below:

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

The Group follows the "corridor" approach of IAS 19 "Employee Benefits" according to which a certain amount of actuarial gains and losses remains unrecognized and is amortized over the average remaining service lives of the employees participating in the plan. The defined benefit obligation and the related costs are calculated by independent actuaries on an annual basis using the projected unit credit method. The present value of the defined obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid and, which have terms to maturity approximating the terms of the related liability, or estimates of rates which take into account the risk and maturity of the related liabilities where a deep market in such bonds does not exist. Defined benefit plan costs, as estimated, are charged to the income statement and are included in staff costs.

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

2.29 Income taxes

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

a. Current tax

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

b. Deferred tax

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

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

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

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

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

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

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

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

2.30 Interest bearing deposits and borrowings

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

2.31 Insurance operations

The insurance operations of the Group involve life insurance products. Life insurance products insure, in their majority, events which are expected to occur in the long term. The associated premiums are recognized on issuance or renewal of the contracts.

(a) Deferred acquisition costs (DAC): Commissions and other acquisition costs incurred during the financial period for issuing new contracts and or renewing existing contracts, which are related to subsequent financial periods are deferred and recognized over the period in which the revenue is recognized.

(b) Insurance liabilities: Insurance reserves reflect current estimates of future cash flows arising from insurance contracts. The calculation of the insurance reserves is performed at each reporting date. They consist of:

i. Mathematical reserves: The life insurance reserve represents the present value of future liabilities less the present value of premiums to be received and is calculated on the basis of a prudent prospective actuarial method, by taking into account the terms of current insurance policies.

ii. Outstanding claims reserve: The reserve includes incurred claims not yet paid, both reported and not reported (IBNR) and represents the expected value of ultimate claims payable. The outstanding claims reserve is calculated on a case-by-case basis and the IBNR is calculated based on past experience. The reserve includes all costs of processing claims.

iii. Liability Adequacy Test (LAT): The Group assesses whether its recognized insurance liabilities are adequate by applying a liability adequacy test ("LAT"), by using current estimations of future cash flows. Additional liability resulting from the LAT increases the carrying amount of insurance liabilities as determined in accordance with the above mentioned policies and is charged to the income statement.

(c) Reinsurance: The Group has reinsurance treaties that transfer significant insurance risk. Liabilities for reinsured contracts are calculated gross of reinsurance and a separate reinsurance asset is recorded.

2.32 Dividends

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

2.33 Segment reporting

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

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

2.34 Related party transactions

Related parties include entities, which the Group has the ability to exercise significant influence in making financial and operating decisions. Related parties include, directors, shareholders, their close relatives, companies owned or controlled by them and companies over which they can influence the financial and operating policies. All banking transactions entered into with related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

2.35 Fiduciary and trust activities

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

2.36 Earnings per share

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

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

3 Critical judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in the consolidated financial statements. The Group believes that the judgments, estimates and assumptions used in the preparation of the financial statements are appropriate given the factual circumstances as of December 31, 2012.

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

Allowances for loan, lease and factoring receivables

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

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

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

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

Fair value of financial instruments

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

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

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

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

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

4 Financial risk management

4.1 Risk management governance

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

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

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

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

4.1.1 Board Risk Committee

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

4.1.2 Group Risk Management Department

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

The department undertakes to do the following:

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

4.1.3 Asset and liability management

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

4.1.4 Internal Audit Division

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

4.1.5 Management of specific risks

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

4.2 Credit risk

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

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

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

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

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

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

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

4.2.1 Maximum exposure to credit risk

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

Gross maximum exposure	December 31, 2012	December 31, 2011	December 31, 2010
T.R. Central Bank	4,674,862	2,446,015	1,968,847
Due from banks	2,238,409	2,095,889	1,020,904
Financial assets at FVTPL	144,073	102,670	207,583
Derivative financial assets	731,778	2,015,597	421,018
Available for sale investments	7,161,283	6,833,524	7,230,439
Loans and advances to customers	37,050,704	30,960,428	26,152,685
Factoring receivables	368,563	255,831	221,065
Finance lease receivables	1,010,205	1,000,203	918,424
Other assets	349,317	150,738	179,331
Total	**53,729,194**	**45,860,895**	**38,320,296**
Contingent liabilities	6,359,677	6,985,658	6,035,682
Commitments	24,798,126	20,761,872	14,347,947
Total	**31,157,803**	**27,747,530**	**20,383,629**
Total credit risk exposure	**84,886,997**	**73,608,425**	**58,703,925**

4.2.2 Credit rating system

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

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

	2012 (%)	2011 (%)	2010 (%)
Debtor has a strong financial structure	6	6	7
Debtor has a good financial structure	59	58	59
Debtor has a medium financial structure	22	23	21
Debtor has a financial structure which needs attention in medium term	10	9	9
Not graded	3	4	4
Total	**100**	**100**	**100**

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

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

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

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

4.2.3 Loans and advances to customers and finance lease receivables renegotiated

The carrying amount of loans whose terms have been renegotiated that would otherwise be past due or impaired was TL 49,470, TL 174,094, and TL 145,913 as of December 31, 2012, 2011 and 2010, respectively. The carrying amount of finance lease receivables whose terms have been renegotiated that would otherwise be past due or impaired was TL 12,016, TL 17,344 and TL 27,242 as of December 31, 2012, 2011 and 2010, respectively.

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

4.2.4 Credit risk by industry sector

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

Industry sector	December 31, 2012	December 31, 2011	December 31, 2010
Private individuals	23,756,224	19,309,075	16,388,044
Trade and services (excl. tourism)	3,446,254	3,290,079	2,523,482
Industry & mining	2,724,186	2,995,044	2,352,147
Small scale industry	1,893,283	1,508,878	1,273,414
Construction and real estate development	1,098,573	736,122	532,768
Transportation and telecommunications	738,607	775,579	678,931
Energy	448,459	346,638	153,519
Factoring	311,666	341,879	425,058
Tourism	219,021	230,490	375,157
Leasing	33,577	49,742	42,660
Shipping	-	293	3,591
Other	2,380,854	1,376,609	1,403,914
Total	**37,050,704**	**30,960,428**	**26,152,685**

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

Industry sector	December 31, 2012	December 31, 2011	December 31, 2010
Small scale industry	687,101	682,031	641,052
Industry and mining	171,115	190,796	161,736
Construction and real estate development	74,269	42,765	33,784
Transportation and telecommunications	13,738	13,000	6,557
Trade and services (excl. tourism)	3,651	5,140	5,234
Tourism	564	132	940
Other	59,767	66,339	69,121
Total	**1,010,205**	**1,000,203**	**918,424**

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

Industry sector	December 31, 2012	December 31, 2011	December 31, 2010
Industry and mining	97,374	73,393	76,891
Construction and real estate development	70,358	52,121	52,241
Transportation and telecommunications	41,387	16,654	6,118
Trade and services (excl. tourism)	14,811	20,505	2,639
Tourism	7,405	19,467	36,725
Shipping	392	3,404	3,591
Other	136,836	70,287	42,860
Total	**368,563**	**255,831**	**221,065**

4.2.5 Counterparty risk

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

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

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

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

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

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

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

4.3 Market risk

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

Interest rate risk is the risk related to the potential loss on the Group's portfolio due to adverse movements in the interest rates. A principal source of interest rate risk exposure arises from the Group's trading and available-for-sale bond portfolios, and its interest rate exchange traded and OTC transactions.

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

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

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

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

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

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

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

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

The tables below present the Bank's VaR for 2012, 2011 and 2010;

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

2012	Total VaR	Interest Rate VaR	Foreign Exchange Risk VaR	Equity VaR
As of December 31	14,809	17,048	540	688
Average	26,406	26,242	1,523	661
Minimum	14,040	14,643	124	223
Maximum	43,387	43,148	4,037	1,509

2011	Total VaR	Interest Rate VaR	Foreign Exchange Risk VaR	Equity VaR
As of December 31	42,653	42,706	2,111	270
Average	36,915	36,501	1,764	603
Minimum	22,566	22,825	155	176
Maximum	59,254	58,082	5,243	1,679

2010	Total VaR	Interest Rate VaR	Foreign Exchange Risk VaR	Equity VaR
As of December 31	25,065	25,581	1,015	513
Average	16,937	16,602	2,471	182
Minimum	5,778	5,943	212	-
Maximum	28,031	29,052	9,557	672

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

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

4.3.2 Limitations of the VaR model

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

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

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

Interest rate risk in the banking book is the current or prospective risk to earnings (net interest income) and capital due to adverse movements in interest rates affecting the banking book positions. Exposure to interest rate risk in the banking book arises from re-pricing mismatches between assets and liabilities. The Group's banking book consists mainly of loans and advances to customers, leasing and factoring receivables, cash and balances with central banks, amounts due from banks, customer deposits, amounts due to banks, debt securities issued and funds borrowed that are measured at amortized cost. The Group believes that it maintains adequate measurement, monitoring, and control functions for interest rate risk in the banking book, including:

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

Interest rate risk that would arise from the changes in interest rates depending on the Group's position is managed by the Asset and Liability Committee ("ALCO") of the Bank.

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

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

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

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

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

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

The interest rate risk on banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published by BRSA on August 23, 2011, and the legal limit as per this measurement is monitored and reported monthly to Asset and Liability Committee, the Risk Committee and the Board of Directors.

Type of Currency	Shocks Applied (+/- x basis points)	Gains/ (Losses)	Gains/Equity-(Losses) /Equity
1. TL	(+) 500	(796,161)	(8.99%)
	(-) 400	780,527	8.82%
2. EUR	(+) 200	(36,170)	(0.41%)
	(-) 200	38,936	0.44%
3. USD	(+) 200	(58,809)	(0.66%)
	(-) 200	83,065	0.94%
Total (of negative shocks)		**902,528**	**10.19%**
Total (of positive shocks)		**(891,140)**	**(10.06%)**

The following table indicates the periods in which financial assets and liabilities re-price as of December 31, 2012:

December 31, 2012

ASSETS	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 yrs**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with T.R. Central Bank	-	-	-	-	-	5,327,955	5,327,955
Due from banks	2,022,644	93,269	-	-	-	122,496	2,238,409
Financial assets at FVTPL	30,277	21,900	58,776	6,771	2,095	24,254	144,073
Derivative financial assets	99,677	297,924	141,660	106,466	6,961	79,090	731,778
Loans and advances to customers	10,465,449	4,367,025	10,619,411	9,289,245	2,309,574	-	37,050,704
Factoring receivables	180,163	129,642	52,808	-	-	5,950	368,563
Finance lease receivables	121,211	65,618	271,602	517,749	5,837	28,188	1,010,205
Available for sale investments	1,171,450	2,461,940	1,642,373	436,654	1,250,504	198,362	7,161,283
Other assets	-	-	-	-	-	349,317	349,317
Total assets	**14,090,871**	**7,437,318**	**12,786,630**	**10,356,885**	**3,574,971**	**6,135,612**	**54,382,287**
LIABILITIES							
Due to other banks	2,674,208	126,246	58,044	-	-	21,529	2,880,027
Customer deposits	21,362,248	6,290,529	615,289	20,598	-	3,384,912	31,673,576
Derivative financial liabilities	153,022	116,538	239,210	319,841	46,993	38,121	913,725
Debt securities issued	-	992,512	3,212,024	-	-	-	4,204,536
Funds borrowed	925,080	726,526	3,222,037	144,872	17,476	-	5,035,991
Other liabilities	-	-	-	-	-	1,816,652	1,816,652
Total liabilities	**25,114,558**	**8,252,351**	**7,346,604**	**485,311**	**64,469**	**5,261,214**	**46,524,507**
Total interest sensitivity gap	**(11,023,687)**	**(815,033)**	**5,440,026**	**9,871,574**	**3,510,502**	**874,398**	**7,857,780**

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

The following table indicates the periods in which financial assets and liabilities re-price as of December 31, 2011:

December 31, 2011

ASSETS	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 yrs**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with T.R. Central Bank	-	-	-	-	-	2,964,593	2,964,593
Due from banks	1,804,082	75,300	10,427	-	-	206,080	2,095,889
Financial assets at FVTPL	16,409	6,425	528	56,446	7,355	15,507	102,670
Derivative financial assets	59,444	142,669	596,807	863,365	84,105	269,207	2,015,597
Loans and advances to customers	9,335,463	3,588,097	8,219,408	7,771,633	2,045,827	-	30,960,428
Factoring receivables	52,871	105,944	89,797	-	-	7,219	255,831
Finance lease receivables	135,861	65,961	277,219	502,535	7,938	10,689	1,000,203
Available for sale investments	1,221,850	1,396,717	1,275,165	1,915,761	897,305	126,726	6,833,524
Other assets	-	-	-	-	-	150,738	150,738
Total assets	**12,625,980**	**5,381,113**	**10,469,351**	**11,109,740**	**3,042,530**	**3,750,759**	**46,379,473**
LIABILITIES							
Due to other banks	2,242,708	55,533	26,613	-	-	36,748	2,361,602
Customer deposits	15,049,537	10,020,740	974,628	28,397	-	2,660,018	28,733,320
Derivative financial liabilities	359,997	473,605	149,647	16,703	-	272,338	1,272,290
Debt securities issued	-	51,873	268,023	1,123,592	-	-	1,443,488
Funds borrowed	941,551	380,049	3,596,168	202,834	11,624	-	5,132,226
Other liabilities	-	-	-	-	-	1,330,690	1,330,690
Total liabilities	**18,593,793**	**10,981,800**	**5,015,079**	**1,371,526**	**11,624**	**4,299,794**	**40,273,616**
Total interest sensitivity gap	**(5,967,813)**	**(5,600,687)**	**5,454,272**	**9,738,214**	**3,030,906**	**(549,035)**	**6,105,857**

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

The following table indicates the periods in which financial assets and liabilities re-price as of December 31, 2010:

December 31, 2010

ASSETS	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 yrs**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with T.R. Central Bank	-	-	-	-	-	2,394,476	2,394,476
Due from banks	509,519	303,244	4,322	-	-	203,819	1,020,904
Financial assets at FVTPL	94,319	16,187	30,338	40,778	8,544	17,417	207,583
Derivative financial assets	53,045	129,624	26,104	33,466	3,473	175,306	421,018
Loans and advances to customers	7,225,841	2,827,561	7,106,475	7,035,386	1,957,422	-	26,152,685
Finance lease receivables	-	112,737	99,054	9,274	-	-	221,065
Available for sale investments	146,994	55,603	231,376	379,439	8,891	96,121	918,424
Other assets	1,053,420	414,493	2,123,015	2,472,176	1,040,739	126,596	7,230,439
Total assets	-	-	-	-	-	179,331	179,331
	9,083,138	**3,859,449**	**9,620,684**	**9,970,519**	**3,019,069**	**3,193,066**	**38,745,925**
LIABILITIES							
Due to other banks							
Customer deposits	1,924,604	89,021	2,247	-	-	21,707	2,037,579
Derivative financial liabilities	14,766,506	5,816,977	371,419	27,177	-	2,194,438	23,176,517
Debt securities issued	19,178	49,921	173,267	348,919	49,386	161,644	802,315
Funds borrowed	-	309,956	-	107,384	-	-	417,340
Other liabilities	1,169,219	1,960,460	1,954,093	80,382	73,285	-	5,237,439
Total liabilities	-	-	-	-	-	1,174,516	1,174,516
	17,879,507	**8,226,335**	**2,501,026**	**563,862**	**122,671**	**3,552,305**	**32,845,706**
Total interest sensitivity gap	**(8,796,369)**	**(4,366,886)**	**7,119,658**	**9,406,657**	**2,896,398**	**(359,239)**	**5,900,219**

4.3.4 Foreign exchange risk

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

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

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

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

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

As of December 31, 2012, the Group's net foreign currency position, after including off-balance sheet position (notional values of derivatives) is TL 414,787 short.

December 31, 2012

ASSETS	TL	USD	EUR	Other	Total
Cash and balances with T.R. Central Bank	1,025,048	1,779,092	1,322,564	1,201,251	5,327,955
Due from banks	1,882,198	234,727	107,886	13,598	2,238,409
Financial assets at FVTPL	128,790	14,991	292	-	144,073
Derivative financial assets	570,584	145,517	15,211	466	731,778
Loans and advances to customers	32,308,502	2,435,408	2,197,303	109,491	37,050,704
Factoring receivables	333,476	29,775	5,171	141	368,563
Finance lease receivables	311,620	193,395	504,743	447	1,010,205
Available for sale investments	5,938,923	1,117,115	105,245	-	7,161,283
Property and equipment	458,122	-	-	69	458,191
Other assets	824,835	30,360	8,555	5	863,755
Total	**43,782,098**	**5,980,380**	**4,266,970**	**1,325,468**	**55,354,916**
LIABILITIES					
Due to other banks	1,307,465	1,254,981	303,461	14,120	2,880,027
Customer deposits	22,246,414	6,219,376	2,633,350	574,436	31,673,576
Derivative financial liabilities	686,649	201,050	25,914	112	913,725
Debt securities issued	2,786,933	1,417,603	-	-	4,204,536
Funds borrowed	284,807	3,095,846	1,653,893	1,445	5,035,991
Other liabilities	2,202,129	51,950	57,293	781	2,312,153
Total	**29,514,397**	**12,240,806**	**4,673,911**	**590,894**	**47,020,008**
Net on balance sheet position	**14,267,701**	**(6,260,426)**	**(406,941)**	**734,574**	**8,334,908**
Net off-balance sheet position	**(6,306,575)**	**6,006,712**	**243,796**	**(732,502)**	**(788,569)**
Net position including TL	**7,961,126**	**(253,714)**	**(163,145)**	**2,072**	**7,546,339**

As of December 31, 2011, the Group's net foreign currency position, after including off-balance sheet position (notional values of derivatives) is TL 425,482 short.

December 31, 2011

ASSETS	TL	USD	EUR	Other	Total
Cash and balances with T.R. Central Bank	474,442	92,857	2,172,875	224,419	2,964,593
Due from banks	1,093,825	898,924	93,026	10,114	2,095,889
Financial assets at FVTPL	86,513	15,830	327	-	102,670
Derivative financial assets	1,757,279	174,730	39,926	43,662	2,015,597
Loans and advances to customers	26,045,064	2,929,788	1,821,761	163,815	30,960,428
Factoring receivables	222,601	18,165	14,583	482	255,831
Finance lease receivables	212,656	215,021	571,514	1,012	1,000,203
Available for sale investments	6,002,143	735,921	95,460	-	6,833,524
Property and equipment	421,996	-	-	76	422,072
Other assets	527,893	21,985	2,027	354	552,259
Total	**36,844,412**	**5,103,221**	**4,811,499**	**443,934**	**47,203,066**
LIABILITIES					
Due to other banks	931,856	1,078,672	345,368	5,706	2,361,602
Customer deposits	21,009,478	4,787,400	2,523,596	412,846	28,733,320
Derivative financial liabilities	945,404	249,177	34,460	43,249	1,272,290
Debt securities issued	268,023	1,175,465	-	-	1,443,488
Funds borrowed	178,252	3,327,528	1,626,446	-	5,132,226
Other liabilities	1,519,267	41,804	40,701	329	1,602,101
Total	**24,852,280**	**10,660,046**	**4,570,571**	**462,130**	**40,545,027**
Net on balance sheet position	**11,992,132**	**(5,556,825)**	**240,928**	**(18,196)**	**6,658,039**
Net off-balance sheet position	**(4,916,500)**	**5,178,787**	**(289,244)**	**19,068**	**(7,889)**
Net position including TL	**7,075,632**	**(378,038)**	**(48,316)**	**872**	**6,650,150**

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

As of December 31, 2010, the Group's net foreign currency position, after including off-balance sheet position (notional values of derivatives) is TL 422,623 short.

December 31, 2010

ASSETS	**TL**	**USD**	**EUR**	**Other**	**Total**
Cash and balances with T.R. Central Bank	1,146,497	1,136,699	78,763	32,517	2,394,476
Due from banks	83,810	579,922	352,182	4,990	1,020,904
Financial assets at FVTPL	183,479	21,715	2,389	-	207,583
Derivative financial assets	280,776	136,450	3,792	-	421,018
Loans and advances to customers	22,478,213	2,032,773	1,443,865	197,834	26,152,685
Factoring receivables	155,040	34,921	31,104	-	221,065
Finance lease receivables	160,306	210,712	539,319	8,087	918,424
Available for sale investments	6,554,279	591,105	85,055	-	7,230,439
Property and equipment	392,424	-	-	39	392,463
Other assets	454,327	5,317	2,580	-	462,224
Total	**31,889,151**	**4,749,614**	**2,539,049**	**243,467**	**39,421,281**
LIABILITIES					
Due to other banks	1,327,620	486,833	204,280	18,846	2,037,579
Customer deposits	17,569,790	3,380,209	2,143,293	83,225	23,176,517
Derivative financial liabilities	664,134	131,326	6,855	-	802,315
Debt securities issued	-	417,340	-	-	417,340
Funds borrowed	544,703	2,849,996	1,842,740	-	5,237,439
Other liabilities	1,379,939	26,497	85,575	8,328	1,500,339
Total	**21,486,186**	**7,292,201**	**4,282,743**	**110,399**	**33,171,529**
Net on balance sheet position					
Net off-balance sheet position	**10,402,965**	**(2,542,587)**	**(1,743,694)**	**133,068**	**6,249,752**
Net position including TL	**(4,089,324)**	**2,329,951**	**1,524,949**	**(124,310)**	**(358,734)**
	6,313,641	**(212,636)**	**(218,745)**	**8,758**	**5,891,018**

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% appreciation and depreciation in the TL against USD and EUR. The 10% rate is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and equity where the TL strengthens against USD and EUR.

	Change in currency rate in %	**Effect on net profit or loss**			**Effect on equity(*)**		
		2012	**2011**	**2010**	**2012**	**2011**	**2010**
USD	10	(3,019)	(17,695)	6,832	(5,158)	(6,161)	7,510
EUR	10	(3,570)	(4,302)	(43,235)	(3,727)	(3,588)	(43,096)

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

4.4 Liquidity risk

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

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

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

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

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

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

Analysis of financial liabilities by remaining contractual maturities

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

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

December 31, 2012

	Carrying Amount	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years	Total
Due to other banks	2,880,027	21,529	2,679,052	127,381	59,541	-	-	2,887,503
Customer deposits	31,673,576	3,384,912	21,402,184	6,349,596	632,293	19,943	-	31,788,928
Debt securities issued	4,204,536	-		1,084,771	2,044,927	1,466,363	-	4,596,061
Funds borrowed	5,035,991	-	336,578	363,875	1,907,458	975,921	1,743,953	5,327,785
Other liabilities	1,816,652	-	1,565,418	89,383	135,295	26,556	-	1,816,652
Total	**45,610,782**	**3,406,441**	**25,983,232**	**8,015,006**	**4,779,514**	**2,488,783**	**1,743,953**	**46,416,929**

December 31, 2011

	Carrying Amount	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years	Total
Due to other banks	2,361,602	36,748	2,243,695	56,291	27,714	-	-	2,364,448
Customer deposits	28,733,320	2,660,018	15,098,864	9,959,868	1,214,687	28,575	-	28,962,012
Debt securities issued	1,443,488	-	-	58,029	349,167	1,272,612	-	1,679,808
Funds borrowed	5,132,226	-	290,513	387,686	1,961,563	1,076,793	1,784,605	5,501,160
Other liabilities	1,330,690	-	1,166,248	65,088	83,405	15,949	-	1,330,690
Total	**39,001,326**	**2,696,766**	**18,799,320**	**10,526,962**	**3,636,536**	**2,393,929**	**1,784,605**	**39,838,118**

December 31, 2010

	Carrying Amount	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years	Total
Due to other banks	2,037,579	21,707	1,926,312	89,379	2,352	-	-	2,039,750
Customer deposits	23,176,517	2,194,438	14,802,908	5,866,765	382,488	26,619	-	23,273,218
Debt securities issued	417,340	-	-	151,794	152,813	143,046	-	447,653
Funds borrowed	5,237,439	-	170,607	664,850	2,677,830	1,701,033	324,608	5,538,928
Other liabilities	1,174,516	-	962,815	135,300	67,230	9,171	-	1,174,516
Total	**32,043,391**	**2,216,145**	**17,862,642**	**6,908,088**	**3,282,713**	**1,879,869**	**324,608**	**32,474,065**

The tables below show the remaining maturities of derivatives:

December 31, 2012	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Forward Contracts Buy	1,452,326	425,031	565,077	227,514	135,223	2,805,171
Forward Contracts Sell	1,447,856	420,506	563,033	224,836	135,223	2,791,454
Interest Rate Swap Contracts Buy	14,605	9,372	112,294	269,131	170,362	575,764
Interest Rate Swap Contracts Sell	13,200	10,674	167,029	333,336	448,667	972,906
Currency Swap Contracts Buy	3,469,341	2,152,599	6,187,964	8,913,482	697,824	21,421,210
Currency Swap Contracts Sell	3,447,030	2,063,284	6,101,014	9,751,697	953,116	22,316,141
Futures Buy	-	117,353	3,572	-	-	120,925
Futures Sell	-	117,353	3,572	-	-	120,925
Options Buy	2,841,611	1,302,027	1,431,654	-	-	5,575,292
Options Sell	2,831,112	1,292,041	1,397,021	-	-	5,520,174
Credit Default Swaps Buy	-	-	-	17,826	-	17,826
Credit Default Swaps Sell	-	17,826	-	142,608	-	160,434
Total	**15,517,081**	**7,928,066**	**16,532,230**	**19,880,430**	**2,540,415**	**62,398,222**

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

December 31, 2011	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Forward Contracts Buy	3,324,821	571,057	1,337,528	-	141,404	5,374,810
Forward Contracts Sell	3,344,551	566,338	1,338,842	-	141,404	5,391,135
Interest Rate Swap Contracts Buy	23,410	14,978	139,721	372,665	171,332	722,106
Interest Rate Swap Contracts Sell	14,592	21,846	154,900	388,187	458,035	1,037,560
Currency Swap Contracts Buy	3,371,272	1,691,077	7,390,104	8,768,680	832,561	22,053,694
Currency Swap Contracts Sell	3,326,723	1,646,211	7,190,097	8,887,190	1,051,919	22,102,140
Futures Buy	-	65,994	117,947	-	-	183,941
Futures Sell	-	66,020	117,946	-	-	183,966
Options Buy	1,612,092	966,374	2,875,745	-	-	5,454,211
Options Sell	1,604,783	962,331	2,814,599	-	-	5,381,713
Commodity Swap Contracts Buy	6,389	-	-	-	-	6,389
Commodity Swap Contracts Sell	6,389	-	-	-	-	6,389
Credit Default Swaps Buy	-	-	-	-	-	-
Credit Default Swaps Sell	-	-	-	133,455	-	133,455
Total	**16,635,022**	**6,572,226**	**23,477,429**	**18,550,177**	**2,796,655**	**68,031,509**

December 31, 2010	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Forward Contracts Buy	621,579	172,198	296,332	171,211	-	1,261,320
Forward Contracts Sell	623,272	172,052	302,402	171,257	-	1,268,983
Interest Rate Swap Contracts Buy	26,726	12,476	84,020	175,668	59,863	358,753
Interest Rate Swap Contracts Sell	7,970	19,126	164,814	300,190	158,649	650,749
Currency Swap Contracts Buy	3,390,172	1,705,285	1,583,703	6,425,481	621,128	13,725,769
Currency Swap Contracts Sell	3,355,022	1,713,730	1,598,516	7,165,554	962,750	14,795,572
Futures Buy	-	178,297	21,931	-	-	200,228
Futures Sell	-	178,297	21,931	-	-	200,228
Options Buy	2,194,466	1,160,999	3,281,938	113,129	-	6,750,532
Options Sell	2,197,480	1,144,743	3,271,865	113,561	-	6,727,649
Commodity Swap Contracts Buy	-	9,863	76,432	5,181	-	91,476
Commodity Swap Contracts Sell	-	9,863	76,432	5,181	-	91,476
Credit Default Swaps Buy	-	-	-	-	-	-
Credit Default Swaps Sell	-	-	61,840	77,300	-	139,140
Total	**12,416,687**	**6,476,929**	**10,842,156**	**14,723,713**	**1,802,390**	**46,261,875**

4.5 Fair values of financial assets and liabilities

a. Financial instruments not measured at fair value

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

	December 31, 2012	
Financial assets	**Carrying amount**	**Fair value**
Loans and advances to customers (Note 23)	36,694,697	36,698,030
Finance lease receivables	1,010,205	1,042,226
Financial liabilities	**Carrying amount**	**Fair value**
Customer deposits	31,673,576	31,680,262
Debt securities issued	4,204,536	4,183,224
Funds borrowed	5,035,991	4,978,904

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

	December 31, 2011	
Financial assets	**Carrying amount**	**Fair value**
Loans and advances to customers (Note 23)	30,387,372	30,071,722
Finance lease receivables	1,000,203	958,717
Financial liabilities	**Carrying amount**	**Fair value**
Customer deposits	28,733,320	28,739,387
Debt securities issued	1,443,488	1,284,695
Funds borrowed	5,132,226	5,004,593

	December 31, 2010	
Financial assets	**Carrying amount**	**Fair value**
Loans and advances to customers (Note 23)	25,159,454	25,177,367
Finance lease receivables	918,424	948,812
Financial liabilities	**Carrying amount**	**Fair value**
Customer deposits	23,176,517	23,174,584
Debt securities issued	417,340	414,376
Funds borrowed	5,237,439	5,240,499

The following methods and assumptions were used to estimate the fair values of the above financial instruments at December 31, 2012, 2011 and 2010:

Cash and balances with T.R. Central Bank, due from and due to banks: The carrying amount of cash and balances with central banks, due from and due to banks approximates their fair value.

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

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

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

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

b. Financial instruments measured at fair value

The tables below present the fair values of those financial assets and liabilities presented on the Group’s statement of financial position at fair value by fair value measurement level at December 31, 2012, 2011 and 2010, as described in Note 2.20. The Group has no financial assets and liabilities measured in Level 3 at December 31, 2012, 2011 and 2010. In 2011, there is no transfer of financial assets and liabilities between Level 1 and Level 2.

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

	December 31, 2012		
Financial assets	**Level 1**	**Level 2**	**Total**
Financial assets at FVTPL	131,659	12,414	144,073
Derivative financial assets	6,112	725,666	731,778
Loans and advances to customers designated at FVTPL (Note 23)	-	356,007	356,007
Available for sale investments [1]	7,139,520	13,786	7,153,306
Financial liabilities	**Level 1**	**Level 2**	**Total**
Derivative financial liabilities	103	913,622	913,725

[1] The amount excludes the equity investments of TL 7,977 measured at cost which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

	December 31, 2011		
Financial assets	**Level 1**	**Level 2**	**Total**
Financial assets at FVTPL	88,650	14,020	102,670
Derivative financial assets	6,754	2,008,843	2,015,597
Loans and advances to customers designated at FVTPL (Note 23)	-	573,056	573,056
Available for sale investments [1]	6,802,840	23,553	6,826,393
Financial liabilities	**Level 1**	**Level 2**	**Total**
Derivative financial liabilities	2,137	1,270,153	1,272,290

[1] The amount excludes the equity investments of TL 7,131 measured at cost which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

	December 31, 2010		
Financial assets	**Level 1**	**Level 2**	**Total**
Financial assets at FVTPL	187,624	19,959	207,583
Derivative financial assets	1,488	419,530	421,018
Loans and advances to customers designated at FVTPL (Note 23)	-	993,231	993,231
Available for sale investments [1]	7,018,793	205,515	7,224,308
Financial liabilities	**Level 1**	**Level 2**	**Total**
Derivative financial liabilities	2,753	799,562	802,315

[1] The amount excludes the equity investments of TL 6,131 measured at cost which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

4.6 Capital adequacy and credit ratings

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

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

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

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

With the regulations published in the Official Gazette dated June 28, 2012, BRSA has introduced a Basel II based method for the Banking system. The Group's consolidated capital adequacy ratio is calculated as 19.22% in accordance with the related Communique as of December 31, 2012. The prior periods' capital adequacy ratio is not presented below as the calculation base has changed to Basel II starting from July 1, 2012. The total capital ratios as per previous legislation were 17.61% and 17.33% as of December 31, 2011 and 2010 respectively.

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

	December 31, 2012
Tier I capital	7,064,381
Tier II capital	2,312,163
Total capital	9,376,544
Deductions	(12,259)
Net total capital	9,364,285
Risk-weighted assets (including market & operational risk)	48,719,787
Capital adequacy ratios	
Tier I ratio	14.50%
Total capital ratio	19.22%

Credit ratings

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

	Rating Agency		
	April 2012 ***Fitch***	**November 2012** ***Moody's***	**February 2013** ***Capital Intelligence***
Long-term foreign currency	BBB-	Ba2	BB+
Short-term foreign currency	F3	-	B
Long-term local currency deposit	BBB-	Ba2	-
Short-term local currency deposit	F3	NP	-
Long-term national rating	AAA	-	-
Support	3	-	3
Bank financial strength	bbb-	E+	BBB+
Outlook	Stable	Negative	Stable

5 Segment reporting

5.1 Operating segment

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

Retail banking

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

Corporate and commercial banking

Corporate and commercial banking include lending to all large and medium-sized companies. Finansbank's corporate and commercial banking activities include trade finance, traditional lending,

SME banking, project finance, cash management, corporate syndication and secondary market transactions, deposits and the issuance of certificated debt instruments. Finansbank's SME banking activities consist primarily of revolving credit lines, installment loans, overdrafts, business housing loans and deposits.

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

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

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

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

Breakdown by business segment	**Retail Banking**	**Corporate and Commercial Banking**	**Total**	**Reconciling Items**				**Total**
				Fee income	**Other activities**	**Operating expenses**	**Other**	
12 month period ended December 31, 2012								
External operating income	3,177,614	717,235	3,894,849	(1,209)	374,528	-	32,349	4,300,517
Net interest income	1,504,306	502,837	2,007,143	714,216	169,593	-	32,349	2,923,301
Net fee and commission income	1,560,232	105,619	1,665,851	(715,425)	(24,687)	-	-	925,739
Earned premium net of claims and commissions	-	-	-	-	91,344	-	-	91,344
Net other income	113,076	108,779	221,855	-	138,278	-	-	360,133
Revenues from other segments	50,971	29,747	80,718	-	(80,718)	-	-	-
Total operating income	**3,228,585**	**746,982**	**3,975,567**	**(1,209)**	**293,810**	**-**	**32,349**	**4,300,517**
Total operating expenses	(1,208,070)	(280,407)	(1,488,477)	1,209	(132,987)	(266,372)	-	(1,886,627)
Impairment losses on loans and advances to customers, finance lease receivables, factoring receivables and other impariment charges	(471,705)	(145,909)	(617,614)	-	8,027	-	-	(609,587)
Profit before tax	**1,548,810**	**320,666**	**1,869,476**	**-**	**168,850**	**(266,372)**	**32,349**	**1,804,303**
Other Segment items								
Capital expenditure								226,457
Depreciation and amortization								150,420

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

Breakdown by business segment	**Retail Banking**	**Corporate and Commercial Banking**	**Total**	**Reconciling Items**				**Total**
				Fee income	**Other activities**	**Operating expenses**	**Other**	
12 month period ended December 31, 2011								
External operating income	2,619,149	662,661	3,281,810	(24,428)	(202,058)	-	(5,346)	3,049,978
Net interest income	1,292,265	442,273	1,734,538	618,026	(259,575)	-	(5,346)	2,087,643
Net fee and commission income	1,271,223	108,318	1,379,541	(642,454)	(8,765)	-	-	728,322
Earned premium net of claims and commissions	-	-	-	-	80,849	-	-	80,849
Net other income	55,661	112,070	167,731	-	(14,567)	-	-	153,164
Revenues from other segments	54,694	15,284	69,978	-	(69,978)	-	-	-
Total operating income	**2,673,843**	**677,945**	**3,351,788**	**(24,428)**	**(272,036)**	**-**	**(5,346)**	**3,049,978**
Total operating expenses	(1,050,275)	(268,316)	(1,318,591)	24,428	(107,710)	(217,004)	10,379	(1,608,498)
Impairment losses on loans and advances to customers, finance lease receivables, factoring receivables and other impariment charges	(269,229)	(34,981)	(304,210)	-	(42,480)	-	1,629	(345,061)
Profit before tax	**1,354,339**	**374,648**	**1,728,987**	**-**	**(422,226)**	**(217,004)**	**6,662**	**1,096,419**
Other Segment items								
Capital expenditure								197,003
Depreciation and amortization								128,021

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

Breakdown by business segment	**Retail Banking**	**Corporate and Commercial Banking**	**Total**	**Reconciling Items**				**Total**
				Fee income	**Other activities**	**Operating expenses**	**Other**	
12 month period ended December 31, 2010								
External operating income	2,031,676	489,680	2,521,356	(25,582)	315,513	-	3,718	2,815,005
Net interest income	1,154,889	324,727	1,479,616	481,651	117,449	-	3,718	2,082,434
Net fee and commission income	837,937	108,064	946,001	(507,233)	77,323	-	-	516,091
Earned premium net of claims and commissions	-	-	-	-	57,720	-	-	57,720
Net other income	38,850	56,889	95,739	-	63,021	-	-	158,760
Revenues from other segments	47,251	31,940	79,191	-	(79,191)	-	-	-
Total operating income	**2,078,927**	**521,620**	**2,600,547**	**(25,582)**	**236,322**	**-**	**3,718**	**2,815,005**
Total operating expenses	(930,304)	(279,413)	(1,209,717)	25,582	(114,024)	(111,999)	-	(1,410,158)
Impairment losses on loans and advances to customers, finance lease receivables, factoring receivables and other impariment charges	(256,623)	(23,378)	(280,001)	-	7,066	-	-	(272,935)
Profit before tax	**892,000**	**218,829**	**1,110,829**	**-**	**129,364**	**(111,999)**	**3,718**	**1,131,912**
Other Segment items								
Capital expenditure								141,401
Depreciation and amortization								108,245

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

5.2 Geographical information

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

6 Net interest income

	12 month period ended December 31,		
	2012	**2011**	**2010**
Interest earned on:			
Loans and advances to customers (*)	5,257,284	4,217,733	3,460,414
Securities	572,083	439,754	406,232
Financial assets at FVTPL	20,323	8,824	24,776
Available for sale investments	551,760	430,930	381,456
Finance lease receivables	81,616	73,104	75,430
Factoring receivables	38,769	27,980	13,199
Due from banks	39,755	29,025	73,626
Interest income	**5,989,507**	**4,787,596**	**4,028,901**
Interest payable on:			
Customer deposits	(2,253,410)	(1,960,632)	(1,288,336)
Debt securities issued and funds borrowed	(664,634)	(594,319)	(558,531)
Due to other banks	(148,162)	(145,002)	(99,600)
Interest expense	**(3,066,206)**	**(2,699,953)**	**(1,946,467)**
Net interest income	**2,923,301**	**2,087,643**	**2,082,434**

(*) The amount also includes the interest income generated from impaired loans amounting to TL 129,884 for the 12 month period ended 2012 (2011: TL 91,495, 2010: TL 85,805).

7 Net fee and commission income

	12 month period ended December 31,		
	2012	**2011**	**2010**
Fee and commission income			
Banking	937,845	733,417	510,710
Brokerage and fund management	36,039	36,383	39,944
Other	2,195	1,633	1,404
Total	**976,079**	**771,433**	**552,058**
Fee and commission expense			
Banking	(45,783)	(38,299)	(31,573)
Other	(4,557)	(4,812)	(4,394)
Total	**(50,340)**	**(43,111)**	**(35,967)**
Net fee and commission income	**925,739**	**728,322**	**516,091**

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

8 Earned premium net of claims and commissions

	12 month period ended December 31,		
	2012(*)	**2011**	**2010**
Gross written premium	121,805	116,968	79,726
Change in unearned premium reserve	(8,455)	(13,121)	1,993
Other	8,592	11,604	6,565
Earned premium net of reinsurance	**121,942**	**115,451**	**88,284**
Paid claims	(17,405)	(17,831)	(11,922)
Change in mathematical reserve	(8,133)	(12,745)	(16,193)
Change in outstanding claims	(3,352)	(2,898)	(1,699)
Other	(1,708)	(1,128)	(750)
Net claims incurred	**(30,598)**	**(34,602)**	**(30,564)**
Earned premium net of claims and commissions	**91,344**	**80,849**	**57,720**

(*)The figures represents first 10 months of 2012 until the control of Finans Pension was lost.

9 Net trading income and results from investment securities

	12 month period ended December 31,		
	2012	**2011**	**2010**
Gains / (losses) on foreign exchange	17,750	(11,749)	41,805
Unrealized gains / (losses) on interest rate instruments	(99,108)	51,376	(306,541)
Realized gains / (losses) on equity shares under FVTPL	5,046	(1,998)	1,817
Realized gains from investment securities	74,999	70,855	369,912
Unrealized gains/ (losses) on securities designated at FVTPL	-	1,701	614
Total	**(1,313)**	**110,185**	**107,607**

10 Other operating income

Other operating income mainly consists of gain on disposal of subsidiaries, gain on disposal of property and equipment, rent income and other.

Please refer to Note 46 for gain on sales of the subsidiaries.

11 Personnel expenses

	12 month period ended December 31,		
	2012	**2011**	**2010**
Wages and salaries	507,183	463,411	412,485
Bonuses and other fringe benefits	204,869	162,613	130,168
Pension costs: defined benefit plans (Note 12)	24,775	20,096	13,608
Other personnel related benefits	91,115	91,819	76,529
Total	**827,942**	**737,939**	**632,790**

The average number of employees of the Group during the year 2012, 2011 and 2010 was 12,271, 11,785 and 11,900, respectively.

Other personnel related benefits include the cost of various benefits such as health insurance, subsidy and legal staff related costs.

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

12 Retirement benefit obligations

Defined benefit plans

In accordance with Turkish Labor Law, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 3,033.98 (full TL) as of December 31, 2012, TL 2,731.85 (full TL) as of December 31, 2011 and TL 2,517.01 (full TL) as of December 31, 2010) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2012, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the reporting date. As of December 31, 2012, retirement pay liability of the Bank and local subsidiaries are accounted based on the actuarial calculations performed by an independent actuary. The plan is unfunded and hence, there are no plan assets disclosed.

Amount recognized in the income statement:

	12 month period ended December 31,		
	2012	**2011**	**2010**
Current service cost	8,868	7,458	5,168
Interest cost on obligation	5,076	4,163	3,150
Amortization of unrecognized net (gain) / loss	926	647	300
Settlement/ curtailment / termination loss	9,905	7,828	4,990
Total charge	**24,775**	**20,096**	**13,608**

Net liability in the statement of financial position:

	December 31, 2012	December 31, 2011	December 31, 2010
Present value of unfunded obligations	89,300	56,378	42,897
Unrecognized actuarial (losses) /gains	(47,327)	(21,594)	(14,215)
Total	**41,973**	**34,784**	**28,682**

Movement in net liability:

	2012	2011	2010
Net liability at January 1	34,784	28,682	22,796
Benefit paid directly	(17,425)	(13,994)	(7,722)
Total expense recognized in the income statement	24,775	20,096	13,608
Disposal of subsidiary	(161)	-	-
Net liability at December 31	**41,973**	**34,784**	**28,682**

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

Reconciliation of defined benefit obligation:

	2012	2011	2010
Defined benefit obligation at January 1	56,378	42,897	30,769
Current service cost	8,868	7,458	5,168
Interest cost on obligation	5,076	4,163	3,150
Benefits paid directly by the Group	(17,425)	(13,994)	(7,722)
Settlement/ curtailment losses	8,797	4,908	4,078
Actuarial losses / (gains)	27,999	10,946	7,454
Disposal of subsidiary	(393)	-	-
Defined benefit obligation at December 31	**89,300**	**56,378**	**42,897**

The weighted average assumptions used to determine the net periodic pension costs for the year ended December 31, 2012, 2011 and 2010 are:

	December 31, 2012	December 31, 2011	December 31, 2010
Discount rate	7.64%	9.48%	10.25%
Rate of compensation increase	6.50%	6.50%	6.50%
Average future years of working life	16.74	16.92	16.53
Inflation rate	5.00%	5.00%	5.00%

13 General and administrative expenses

	12 month period ended December 31,		
	2012	2011	2010
Utilities and rentals	294,746	254,229	228,048
Promotion and advertisement expenses	92,821	54,574	76,854
Third party remuneration expenses and fees	69,343	65,155	53,154
Duties and taxes other than on income	58,818	58,592	45,550
Credit card expenses	64,121	57,565	53,895
Saving deposits insurance fund premiums	39,842	26,740	22,248
Withholding taxes and duties on loans granted	37,520	28,536	22,724
Audit, consulting and legal fees	29,104	32,239	20,152
Stationary and other consumables	19,765	18,824	18,278
Traveling expenses	9,152	8,504	10,746
Subscriptions and contributions	6,193	6,308	5,050
Research expenses	4,981	3,316	4,151
Other administrative expenses	70,381	70,881	58,324
Total	**796,787**	**685,463**	**619,174**

14 Depreciation, amortization and impairment charges

	12 month period ended December 31,		
	2012	2011	2010
Intangible assets (Note 28)	56,090	42,525	30,805
Property and equipment (Note 29)	94,330	85,496	77,440
Total	**150,420**	**128,021**	**108,245**

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

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

	12 month period ended December 31,		
	2012	**2011**	**2010**
Impairment losses on loans and advances to customers (Note 23)	**551,230**	**340,235**	**264,165**
Impairment losses on finance lease receivables (Note 25)	**8,402**	**12,442**	**11,214**
Impairment losses on factoring receivables	**3,914**	**2,892**	**960**
Other impairment charges	46,041	(10,508)	(3,404)
Total	**609,587**	**345,061**	**272,935**

16 Other operating expenses

	12 month period ended December 31,		
	2012	**2011**	**2010**
Maintenance and other related expenses	49,371	47,555	42,292
Provision charges for guarantees	7,129	-	4,614
Other provision charges (*)	59,068	9,739	3,619
Total	**115,568**	**57,294**	**50,525**

(*) Other provision charges mainly composed of provisioning for Competition Board Investigation detailed in Note 38.

17 Income tax expense

The details of income tax expense are as follows:

	12 month period ended December 31,		
	2012	**2011**	**2010**
Current tax	(379,964)	(226,271)	(256,588)
Deferred tax benefit/(charge) (Note 30)	68,860	(15,914)	37,873
Adjustments to prior periods corporate taxes(*)	(14,324)	(4,570)	-
Total	**(325,428)**	**(246,755)**	**(218,715)**
Profit before tax	**1,804,303**	**1,096,419**	**1,131,912**
Tax calculated based on the current tax rate of 20%	(360,861)	(219,284)	(226,382)
Effect of income not subject to taxation	75,734	10,238	40,551
Effect of expenses not deductible for tax purposes	(18,870)	(8,241)	(35,620)
Deferred tax on unused investment incentive	(7,723)	(14,758)	(2,506)
Other	616	(10,140)	5,242
Adjustments to Corporate Taxes	(14,324)(*)	(4,570) (**)	-
Income tax expense	**(325,428)**	**(246,755)**	**(218,715)**

(*) Additional corporate tax of 2011paid in 2012.

(**) The Bank increased the corporate tax base concerning prior periods within the scope of "Law on the Restructuring of Some of the Receivables, and on the amendment of Social Insurances and General Health Insurance Law, and that of Other Several Laws and Legislative Decrees", no. 6111 and accrued a liability amounting to TL 17,907.

Also, the lawsuits files against Finans Leasing, one of the subsidiaries, in regards to investment incentives are finalized and Finans Leasing, has entitled for a refund of the corporate taxes paid in prior periods. Accordingly, TL 13,337 of corporate tax attributable to year 2009 refunded to Finans Leasing, on July 6, 2011 and August 11, 2011. In the accompanying financial statements as of December 31, 2011 the said amount is recognized as income in "current income tax charge" in the income statement.

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

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

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year ended December 31, 2012. This rate was 20% for the year ended December 31, 2011 and 2010 as well. Capital gains arising from the sale of real property, participation shares, redeemed shares, founders shares and preemptive rights owned for at least two years are exempt at a rate of 75% from corporate tax provided that such gains are reflected in the equity within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate applied in 2012 is 20%. (2011 and 2010: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

Income withholding tax

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

The Group offsets current tax assets and current tax liabilities separately for each entity considering the legally enforceable right to set off the recognized amounts. As of December 31, 2012, after the offsetting, the corporate tax payables is TL 97,897 (December 31, 2011, corporate tax payable amounting to TL 85,880, December 31, 2010, corporate tax payable amounting to TL 72,849).

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

18 Earnings per share

	December 31, 2012	December 31, 2011	December 31, 2010
Net profit attributable to equity holders of the parent	1,462,834	836,053	898,405
Net profit attributable to Finansbank ordinary shareholders	1,462,834	836,053	898,405
Adjusted weighted average number of ordinary shares outstanding	25,650,000,000	25,650,000,000	25,650,000,000
Basic and diluted earnings per share	0.0570	0.0326	0.0350

The Bank decided to increase its share capital through bonus issue by way of the capitalization of its extraordinary reserves in 2012, 2011 and 2010.

The Group's weighted average number of ordinary shares outstanding for 2012, 2011 and 2010 has been adjusted as if the capital increase through bonus issue and the capital increase through rights issue in 2012 was made at the beginning of the earliest year presented. Accordingly for the purpose of earnings per share calculation, the weighted average number of ordinary shares outstanding is 25,650,000,000 for 2012, 2011 and 2010.

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

19 Cash and balances with T.R. Central Bank

	December 31, 2012	December 31, 2011	December 31, 2010
Cash in hand	653,093	518,578	425,629
Balances with T.R. Central Bank- Non-obligatory	380,817	339,850	285,108
Balances with T.R. Central Bank- Obligatory	4,294,045	2,106,165	1,683,739
Total	**5,327,955**	**2,964,593**	**2,394,476**

As of December 31, 2012, the reserve rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11% depending on the maturity of the deposits (December 31, 2011 – 5% to 11%, December 31, 2010 – 5.5%) and the reserve rates for the foreign currency liabilities are within an interval from 9.5% to 11.5% depending on the maturity of the deposits (December 31, 2011 – 9% to 11%, December 31, 2010 – 11%).

With the changes in the "Communiqué on Reserve Requirements", at most 60% of required reserves on TL liabilities could be maintained as foreign currency and at most 30% could be maintained as standard gold.

20 Due from banks

	December 31, 2012	December 31, 2011	December 31, 2010
Time deposits with banks	340,798	1,187,222	820,564
Demand deposit with banks	110,826	206,086	195,362
Securities purchased under agreements to resell	1,786,785	702,581	4,978
Total	**2,238,409**	**2,095,889**	**1,020,904**

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

The effective interest rates applied for time deposits are 5.88% for TL and 0.51% for EUR accounts (December 31, 2011 – 10.54% for TL, 2.42% for USD, December 31, 2010 - 9.27% for TL, 3.53% for USD and 3.75% for EUR).

The fair values of the colleterals obtained for the securities purchased under agreements to resell is TL 2,184,148 as of December 31, 2012 (December 31, 2011: TL 800,162, December 31, 2010: TL 12,085).

The amount of collaterals given for derivative transactions as of December 31, 2012, 2011 and 2010 are TL 252,229, TL 67,748 and TL 456,596, respectively.

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

21 Financial assets at fair value through profit or loss

	December 31, 2012	December 31, 2011	December 31, 2010
Foreign corporate bonds held for trading	12,414	14,020	19,959
Turkish corporate bonds held for trading	11,442	-	-
Turkish government bonds designated at FVTPL	-	-	74,654
Turkish government bonds held for trading	95,963	73,143	95,566
Equity shares held for trading	10,597	15,132	17,069
Mutual funds held for trading	13,657	375	335
Total	**144,073**	**102,670**	**207,583**

22 Derivative financial instruments

	Contract/Notional	Fair values	
December 31, 2012	**Amount**	**Assets**	**Liabilities**
Derivatives held for trading:			
Interest rate derivatives	13,882,201	413,948	(438,117)
Foreign exchange derivatives	10,470,559	76,591	(39,089)
Other types of derivatives	3,924	753	(5)
Fair value hedging derivatives:			
Interest rate derivatives	8,014,020	240,486	(402,112)
Cash flow hedging derivatives:			
Interest rate derivatives	270,443	-	(34,402)
Total	**32,641,147**	**731,778**	**(913,725)**

	Contract/Notional	Fair values	
December 31, 2011	**Amount**	**Assets**	**Liabilities**
Derivatives held for trading:			
Interest rate derivatives	12,035,649	744,800	(805,707)
Foreign exchange derivatives	15,104,680	267,929	(262,908)
Other types of derivatives	28,431	1,121	(713)
Fair value hedging derivatives:			
Interest rate derivatives	7,280,030	1,001,747	(168,637)
Cash flow hedging derivatives:			
Interest rate derivatives	531,238	-	(34,325)
Total	**34,980,028**	**2,015,597**	**(1,272,290)**

	Contract/Notional	Fair values	
December 31, 2010	**Amount**	**Assets**	**Liabilities**
Derivatives held for trading:			
Interest rate derivatives	9,411,734	220,245	(314,531)
Foreign exchange derivatives	12,339,570	168,669	(157,797)
Other types of derivatives	178,603	3,456	(3,202)
Fair value hedging derivatives:			
Interest rate derivatives	4,800,287	28,648	(257,240)
Cash flow hedging derivatives:			
Interest rate derivatives	654,938	-	(69,545)
Total	**27,385,132**	**421,018**	**(802,315)**

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

To avoid risk from the interest rate changes of deposits that have an average maturity of 1 month, the Group implements cash flow hedge accounting with interest rate swaps. The Group implements effectiveness tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in IAS 39. As a result of the mentioned hedge accounting, the fair value gains before taxes amounting to TL (8,273) are accounted for under equity during the current period (December 31, 2011 – TL 13,797, December 31, 2010 : TL 26,129 loss). The gains amounting to TL 13 for year ended December 31, 2012 (December 31, 2011 – TL l8 loss, December 31, 2010 : Nil) for the ineffective portions are accounted for at the income statement. When the fair value hedge accounting cannot be effectively continued as stated in IAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. The Bank transferred losses amounting to TL 3,692 from the equity to the income statement due to the swaps that are matured or whose effectiveness deteriorated during the current period (December 31, 2011 – TL 4,722 loss, December 31, 2010 : TL 341 gain).

The Group's fair value hedges principally consist of interest rate swaps that are used to hedge changes in the fair value of fixed-rate, long-term loans due to movements in market interest rates. The Group records fair value losses on derivatives designated under fair value hedge under net trading income and results from investment securities in the income statement. For the year ended December 31, 2012 the Group recognized in the income statement TL 222,139 (December 31, 2011 – TL 87,574, December 31, 2010 – TL 167,726) of fair value gains recognized on hedged items (loans) of the Group. This amount was offset by TL 215,164 (December 31, 2011- TL 77,442, December 31, 2010 – TL 197,441) fair value losses on derivatives designated for fair value hedge accounting of loans and advances to customers.

When the fair value hedge accounting cannot be effectively continued as stated in IAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Group has booked the valuation effect amounting to TL 72,028 (December 31, 2011 – 104,246, December 31, 2010 – 133,058) related to the loans that are ineffective for hedge accounting under "securities trading gains/losses" as loss during the current period.

For the year ended December 31, 2012 the Group recognized in the income statement TL 5,789 (December 31, 2011 gains - TL 111,316, December 31, 2010 gains - TL 7,708) of fair value losses recognized on hedged items (available for sale investments). This amount was offset by fair value gains of TL 5,931 (December 31, 2011 losses –TL 111,201, December 31, 2010 losses –TL 8,029) on derivatives designated for fair value hedge accounting of available for sale investments (Eurobonds).

For the year ended December 31, 2012 the Group recognized in the income statement TL 10,688 (December 31, 2011 – TL 994 gain, December 31, 2010: Nil) of fair value gains recognized on hedged items (available for sale investments). This amount was offset by fair value losses of TL 11,595 (December 31, 2011 – TL 1,231 loss, December 31, 2010: Nil) on derivatives designated for fair value hedge accounting of available for sale investments (TL government bonds).

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

For the year ended December 31, 2012 the Group recognized in the income statement TL 6,005 (December 31, 2011 – TL 40,366 gain, December 31, 2010: Nil) of fair value losses recognized on derivatives designated for fair value hedge accounting of bonds issued amount. This amount was offset by TL 6,005 (December 31, 2011 – TL 40,131 loss, December 31, 2010: Nil) on hedged items (Bonds issued).

For the year ended December 31, 2012 the Group recognized in the income statement TL 10,386 (December 31, 2011 – TL 10,123 gain, December 31, 2010: Nil) of fair value gains recognized on hedged items. This amount was offset by fair value losses of TL 9,759 (December 31, 2011 – TL 10,389 loss, December 31, 2010: Nil) on derivatives designated for fair value hedge accounting of a specific corporate loan, previously credit commitment.

23 Loans and advances to customers

	December 31, 2012	December 31, 2011	December 31, 2010
Loans and advances to customers at FVTPL	356,007	573,056	993,231
Loans and advances to customers at amortized cost	36,694,697	30,387,372	25,159,454
Total	**37,050,704**	**30,960,428**	**26,152,685**

December 31, 2012	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Neither past due nor impaired	11,552,423	4,761,875	9,661,512	6,160,654	32,136,464
Past due not impaired	980,160	898,924	1,238,538	636,295	3,753,917
Impaired-collective	656,386	613,749	1,054,665	34,324	2,359,124
Impaired-individual	359,346	-	-	-	359,346
Total Gross	**13,548,315**	**6,274,548**	**11,954,715**	**6,831,273**	**38,608,851**
Less: Allowance for impairment on loans and advances to customers	(253,835)	(485,797)	(800,658)	(17,857)	(1,558,147)
Loans and advances to customers	**13,294,480**	**5,788,751**	**11,154,057**	**6,813,416**	**37,050,704**

December 31, 2011	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Neither past due nor impaired	10,347,943	3,912,273	7,004,858	5,586,177	26,851,251
Past due not impaired	711,425	752,806	1,099,040	624,615	3,187,886
Impaired-collective	429,048	431,825	788,281	38,751	1,687,905
Impaired-individual	347,472	-	-	-	347,472
Total Gross	**11,835,888**	**5,096,904**	**8,892,179**	**6,249,543**	**32,074,514**
Less: Allowance for impairment on loans and advances to customers	(184,535)	(337,278)	(577,056)	(15,217)	(1,114,086)
Loans and advances to customers	**11,651,353**	**4,759,626**	**8,315,123**	**6,234,326**	**30,960,428**

December 31, 2010	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Neither past due nor impaired	8,864,684	2,827,664	5,687,629	5,940,136	23,320,113
Past due not impaired	147,080	364,420	683,793	538,357	1,733,650
Impaired-collective	523,567	322,388	647,212	54,577	1,547,744
Impaired-individual	652,517	-	-	-	652,517
Total Gross	**10,187,848**	**3,514,472**	**7,018,634**	**6,533,070**	**27,254,024**
Less: Allowance for impairment on loans and advances to customers	(441,589)	(212,295)	(424,937)	(22,518)	(1,101,339)
Loans and advances to customers	**9,746,259**	**3,302,177**	**6,593,697**	**6,510,552**	**26,152,685**

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

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

2012	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Balance at January 1	184,535	337,278	577,056	15,217	1,114,086
Impairment losses on loans and advances to customers	163,077	150,635	234,878	2,640	551,230
Loans written off	(69,750)	(2,116)	(2,954)	-	(74,820)
Unwind of interest	(24,027)	-	(8,322)	-	(32,349)
Balance at December 31	**253,835**	**485,797**	**800,658**	**17,857**	**1,558,147**

2011	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Balance at January 1	441,589	212,295	424,937	22,518	1,101,339
Impairment losses on loans and advances to customers	28,244	160,191	159,101	(7,301)	340,235
Loans written off (*)	(292,074)	(35,208)	(5,552)	-	(332,834)
Unwind of interest	6,776	-	(1,430)	-	5,346
Balance at December 31	**184,535**	**337,278**	**577,056**	**15,217**	**1,114,086**

2010	**Corporate**	**Consumer**	**Credit Cards**	**Mortgage**	**Total**
Balance at January 1	402,126	139,211	283,058	21,221	845,616
Impairment losses on loans and advances to customers	34,605	73,368	154,895	1,297	264,165
Loans written off	(2,522)	(284)	(1,918)	-	(4,724)
Unwind of interest	7,380	-	(11,098)	-	(3,718)
Balance at December 31	**441,589**	**212,295**	**424,937**	**22,518**	**1,101,339**

(*) In 2011, TL 237,408 portion of the loans disclosed above which are under legal follow-up is disposed. TL 160,516 of aforementioned loans are disposed for TL 14,500 in cash, and the remaining portion amounting to TL 76,892 is disposed for TL 3,000 in cash and by means of receiving share from future collections.

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

	12 month period ended December 31,		
	2012	**2011**	**2010**
Write-offs			
Credit cards	2,954	5,552	1,918
Mortgage and consumer loans	2,116	35,208	284
Corporate loans	69,750	292,074	2,522
Total write-offs	**74,820**	**332,834**	**4,724**
Recoveries			
Credit cards	8,386	15,504	24,840
Mortgage and consumer loans	573	479	1,383
Corporate loans	3,890	42,078	11,356
Total recoveries (Note 15)	**12,849**	**58,061**	**37,579**

Collateral and credit enhancements obtained during the year amount to TL 22,933 of residential, commercial or industrial property (December 31, 2011 - TL 32,045, December 31, 2010 - TL 39,691).

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

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

December 31, 2012	**Less than 30 days**	**31-60 days**	**61-90 days**	**Total**
Corporate	874,198	56,125	49,837	980,160
Consumer	611,978	197,067	89,879	898,924
Credit cards	946,120	224,485	67,933	1,238,538
Mortgage	369,821	153,243	113,231	636,295
Total	**2,802,117**	**630,920**	**320,880**	**3,753,917**

December 31, 2011	**Less than 30 days**	**31-60 days**	**61-90 days**	**Total**
Corporate	708,632	1,716	1,077	711,425
Consumer	515,573	167,057	70,176	752,806
Credit cards	822,689	216,579	59,772	1,099,040
Mortgage	359,882	166,849	97,884	624,615
Total	**2,406,776**	**552,201**	**228,909**	**3,187,886**

December 31, 2010	**Less than 30 days**	**31-60 days**	**61-90 days**	**Total**
Corporate	114,734	16,645	15,701	147,080
Consumer	236,982	87,875	39,563	364,420
Credit cards	532,964	110,208	40,621	683,793
Mortgage	305,638	143,788	88,931	538,357
Total	**1,190,318**	**358,516**	**184,816**	**1,733,650**

As of December 31, 2012, for the loans and advances to customers past due but not impaired, the Group has collaterals amounting to TL 985,298 which are received for the total exposure to the customers including past due exposures (December 31, 2011 – TL 779,620, December 31, 2010 – TL 820,232). During the computation of the amount stated above, collaterals are capped with the maximum of the customers' risks.

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

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

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

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

	December 31, 2012	**December 31, 2011**	**December 31, 2010**
Loans and advances at FVTPL	26,267	20,598	71,034

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

24 Factoring receivables

	December 31, 2012	December 31, 2011	December 31, 2010
No later than 1 year	370,310	259,683	212,751
Later than 1 year	-	-	9,274
Factoring receivables, gross	370,310	259,683	222,025
Less: Impairment Losses on factoring receivables	(1,747)	(3,852)	(960)
Total	**368,563**	**255,831**	**221,065**

Of the total aggregate amount of factoring receivables, collaterals that is held as at December 31, 2012 was TL 180,119 (December 31, 2011 - TL 180,770, December 31, 2010 - TL 163,841). During the computation of the colleterals amount stated above, collaterals are capped with the maximum of the customers' risks.

25 Finance lease receivables

	December 31, 2012	December 31, 2011	December 31, 2010
Not later than 1 year	570,871	569,663	524,757
Later than 1 year but not later than 5 years	627,226	590,401	525,348
Later than 5 years	9,107	12,644	19,701
Finance lease receivables, gross	**1,207,204**	**1,172,708**	**1,069,806**
Unearned future finance income on finance leases	(138,757)	(110,215)	(89,696)
Net investment in finance leases	**1,068,447**	**1,062,493**	**980,110**
Less: Impairment losses on finance lease receivables	(58,242)	(62,290)	(61,686)
Finance lease receivables	**1,010,205**	**1,000,203**	**918,424**

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

	December 31, 2012	December 31, 2011	December 31, 2010
Not later than 1 year	503,781	514,114	477,526
Later than 1 year but not later than 5 years	556,511	536,269	483,772
Later than 5 years	8,155	12,110	18,812
Total	**1,068,447**	**1,062,493**	**980,110**

Movements in impairment losses on finance lease receivables:

	2012	2011	2010
Balance at January 1	**(62,290)**	**(61,686)**	**(60,332)**
Impairment losses on finance lease receivables	(8,402)	(12,442)	(11,214)
Receivables written off	12,450	11,838	9,860
Balance at December 31	**(58,242)**	**(62,290)**	**(61,686)**

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

On November 30, 2012, Finans Leasing, transferred financial lease receivables amounting to TL 17,630 as of the disposal date totaling TL 550 in cash. TL 4,678 of the aforementioned receivables comprises of receivables previously written-off. The remaining amount of TL 12,952 which is non-performing lease receivables and TL 12,576 which is reserve for non-performing lease receivables are written-off.

On November 30, 2011, Finans Leasing. disposed of finance lease receivables of TL 22,630 as of the transaction date. TL 15,748 receivables are disposed of for TL 525 in cash under the circumstances of 5% sales revenue will be paid and the remaining part amounting to TL 7,152 is disposed of for TL 235 in cash, as of November 30, 2011, totaling TL 760. TL 10,325 portion of the aforementioned receivables comprised of receivables written-off previously. The remaining finance lease receivables amounting to TL 12,305 and provisions for non-performing finance lease receivables amounting to TL 11,954 are written-off.

Finance lease receivables

	December 31, 2012	December 31, 2011	December 31, 2010
Neither past due nor impaired	889,941	876,987	797,522
Past due not impaired	87,611	84,749	91,938
Impaired	90,895	100,757	90,650
Total Gross	**1,068,447**	**1,062,493**	**980,110**
Less: impairment losses on finance lease receivables	(58,242)	(62,290)	(61,686)
Finance lease receivables	**1,010,205**	**1,000,203**	**918,424**

As of December 31, 2012, 2011 and 2010 aging of past due but not impaired finance lease receivables are as follows;

	December 31, 2012	December 31, 2011	December 31, 2010
Between 1-30 days	36,889	40,434	28,980
Between 1-3 months	23,228	19,918	22,588
Between 3-12 months	12,632	3,002	14,922
Between 1-5 years	14,862	21,395	25,448
Total	**87,611**	**84,749**	**91,938**

Of the total aggregate amount of gross past due but not impaired finance lease receivables, the fair value of collaterals that is held as at December 31, 2012 was TL 85,865 (December 31, 2011 - TL 76,489, December 31, 2010 - TL 76,856).

26 Available for sale investments

	December 31, 2012	December 31, 2011	December 31, 2010
Available-for-sale investment securities:			
Turkish government bonds and treasury bills	6,939,625	6,640,297	6,834,029
Corporate bonds	23,436	66,641	269,954
Debt securities	**6,963,061**	**6,706,938**	**7,103,983**
Equity shares	11,726	20,800	13,127
Mutual funds	186,496	105,786	113,329
Total available-for-sale investment securities	**7,161,283**	**6,833,524**	**7,230,439**

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

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

	2012	2011	2010
Balance at January 1	**6,833,524**	**7,230,439**	**5,334,952**
Additions within the year	10,088,913	13,063,752	22,515,758
Disposals (sale and redemption) within the year	(10,250,447)	(13,225,568)	(20,793,633)
Gains / (losses) from changes in fair value	489,293	(235,099)	173,362
Balance at December 31	**7,161,283**	**6,833,524**	**7,230,439**

27 Investments in joint ventures

	2012	2011	2010
Balance at January 1	**3,186**	**2,967**	**391**
Additions	194,916 (*)	-	2,000
Group's share of profit of joint ventures	4,090	219	576
Balance at December 31	**202,192**	**3,186**	**2,967**

(*) Please refer to Note 46 for the details of the addition at the current year.

The Group's joint ventures are as follows:

Name of joint ventures	**% of participation**		
	December 31, 2012	**December 31, 2011**	**December 31, 2010**
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33.33%	33.33%	33.33%
Finans Pension (*)	49.00%	99.99%	99.99%

(*) Finans Pension was consolidated in 2011 and 2010. In 2012 it was sold and accounted for as a joint venture. Please see note 46.

The joint ventures' financial information is as follows:

Name of joint venture	**The Group's share**	**Current Assets**	**Non-current Assets**	**Long Term Debt**	**Current Year Loss / Gain**	**Net Asset Value**
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33.33%	11,082	7,625	535	2,145	13,006
Finans Pension	49.00%	147,149	68,792	-	28,768	76,487

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

28 Intangible assets

Cost	Goodwill	Purchased software	Internally generated software	Total
December 31, 2011	**12,453**	**133,106**	**172,010**	**317,569**
Additions	-	13,023	78,717	91,740
Disposal of subsidiary	-	(5,219)	-	(5,219)
Disposals and write offs	-	(18)	-	(18)
December 31, 2012	**12,453**	**140,892**	**250,727**	**404,072**
Accumulated amortization and impairment				
December 31, 2011	**(3,484)**	**(105,518)**	**(61,303)**	**(170,305)**
Amortization charge for the year	-	(14,530)	(41,560)	(56,090)
Disposal of subsidiary	-	3,649	-	3,649
Disposals and write offs	-	16	-	16
December 31, 2012	**(3,484)**	**(116,383)**	**(102,863)**	**(222,730)**
Net book value as of December 31, 2012	**8,969**	**24,509**	**147,864**	**181,342**

The goodwill was assessed for impairment and no adjustment to its carrying value was required. There was no indication of impairment for the remaining intangible assets.

Cost	Goodwill	Purchased software	Internally generated software	Total
December 31, 2010	**12,453**	**115,956**	**110,237**	**238,646**
Additions	-	17,150	61,773	78,923
December 31, 2011	**12,453**	**133,106**	**172,010**	**317,569**
Accumulated amortization and impairment				
December 31, 2010	**(3,484)**	**(90,610)**	**(33,686)**	**(127,780)**
Amortization charge for the year	-	(14,908)	(27,617)	(42,525)
December 31, 2011	**(3,484)**	**(105,518)**	**(61,303)**	**(170,305)**
Net book value as of December 31, 2011	**8,969**	**27,588**	**110,707**	**147,264**

Cost	Goodwill	Purchased software	Internally generated software	Total
December 31, 2009	**12,453**	**95,656**	**63,668**	**171,777**
Additions	-	20,300	46,569	66,869
December 31, 2010	**12,453**	**115,956**	**110,237**	**238,646**
Accumulated amortization and impairment				
December 31, 2009	**(3,484)**	**(76,841)**	**(16,650)**	**(96,975)**
Amortization charge for the year	-	(13,769)	(17,036)	(30,805)
December 31, 2010	**(3,484)**	**(90,610)**	**(33,686)**	**(127,780)**
Net book value as of December 31, 2010	**8,969**	**25,346**	**76,551**	**110,866**

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

29 Property and equipment

Cost	Land & Buildings	Vehicles & Equipment	Leasehold Improvements	Total
December 31, 2011	**159,327**	**615,787**	**283,057**	**1,058,171**
Additions	1,508	89,039	44,170	134,717
Disposal of subsidiary	-	(2,089)	(804)	(2,893)
Disposals and write offs	-	(20,923)	(26)	(20,949)
At December 31, 2012	**160,835**	**681,814**	**326,397**	**1,169,046**
Accumulated depreciation and impairment				
December 31, 2011	**(25,923)**	**(446,924)**	**(163,252)**	**(636,099)**
Depreciation charge for the year	(3,623)	(61,294)	(29,413)	(94,330)
Disposal of subsidiary	-	1,497	576	2,073
Disposals and write offs	-	19,279	25	19,304
Impairment charge	(1,650)	(94)	(59)	(1,803)
December 31, 2012	**(31,196)**	**(487,536)**	**(192,123)**	**(710,855)**
Net book value as of December 31, 2012	**129,639**	**194,278**	**134,274**	**458,191**

Cost	Land & Buildings	Vehicles & Equipment	Leasehold Improvements	Total
December 31, 2010	**156,209**	**539,458**	**248,524**	**944,191**
Additions	4,510	78,266	35,304	118,080
Disposals and write offs	(1,392)	(1,937)	(771)	(4,100)
At December 31, 2011	**159,327**	**615,787**	**283,057**	**1,058,171**
Accumulated depreciation and impairment				
December 31, 2010	**(21,992)**	**(389,352)**	**(140,384)**	**(551,728)**
Disposals and write offs	1,263	762	694	2,719
Impairment charge	(1,594)	-	-	(1,594)
Depreciation charge for the year	(3,600)	(58,334)	(23,562)	(85,496)
December 31, 2011	**(25,923)**	**(446,924)**	**(163,252)**	**(636,099)**
Net book value as of December 31, 2011	**133,404**	**168,863**	**119,805**	**422,072**

Cost	Land & Buildings	Vehicles & Equipment	Leasehold Improvements	Total
December 31, 2009	**164,030**	**497,567**	**226,765**	**888,362**
Additions	3,063	48,770	22,699	74,532
Disposals and write offs	(10,884)	(6,879)	(940)	(18,703)
At December 31, 2010	**156,209**	**539,458**	**248,524**	**944,191**
Accumulated depreciation and impairment				
December 31, 2009	**(25,315)**	**(340,895)**	**(120,791)**	**(487,001)**
Disposals and write offs	6,513	4,998	1,202	12,713
Depreciation charge for the year	(3,190)	(53,455)	(20,795)	(77,440)
December 31, 2010	**(21,992)**	**(389,352)**	**(140,384)**	**(551,728)**
Net book value as of December 31, 2010	**134,217**	**150,106**	**108,140**	**392,463**

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

30 Deferred tax assets and liabilities

	December 31, 2012		December 31, 2011		December 31, 2010	
	Deferred tax		Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Loans and advances to customers	6,513	182,926	6,029	119,356	5,360	163,612
Deferred commission income	-	(33,374)	-	(27,697)	-	(28,954)
Plastic card bonus provisions	-	(1,222)	-	(751)	-	(1,014)
Employee termination benefits	131	(7,755)	102	(6,408)	131	(5,017)
Vacation pay liability and bonus accrual	701	(17,804)	472	(8,614)	591	(6,250)
Unused investment incentive certificate	6	-	7,729	-	22,487	-
Other temporary differences	804	11,087	1,654	5,273	(413)	18,141
Securities and derivatives	69	(50,529)	90	(25,480)	137	7,743
Economic life of property and equipment	-	26,707	-	17,499	-	11,173
Total deferred tax assets/(liabilities)	**8,224**	**110,036**	**16,076**	**73,178**	**28,293**	**159,434**

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

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

	2012	2011	2010
Deferred tax asset / (liability) at January 1	(57,102)	(131,141)	(163,284)
Loans and advances to customers	(63,086)	44,925	12,773
Deferred commission income	5,677	(1,257)	17,455
Plastic card bonus provisions	471	(263)	(1,347)
Employee termination benefits	1,376	1,362	589
Vacation pay liability and bonus accrual	9,419	2,245	(3,741)
Unused investment incentive certificate	(7,723)	(14,758)	(2,506)
Other temporary differences	(4,326)	14,935	(974)
Securities and derivatives	136,260	(56,777)	13,147
Economic life of property and equipment	(9,208)	(6,326)	2,477
Deferred tax recognized in income statement	**68,860**	**(15,914)**	**37,873**
Deferred tax recognized in other comprehensive income	(111,232)	89,953	(5,730)
Effect of deferred tax of disposed subsidiary	(2,338)	-	-
Deferred tax asset / (liability) at December 31	**(101,812)**	**(57,102)**	**(131,141)**

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

31 Deferred tax recognized in other comprehensive income

	December 31, 2012	December 31, 2011	December 31, 2010
Arising on income and expenses recognized in other comprehensive income:			
Fair value measurement of available-for-sale investments	(97,859)	47,020	(34,672)
Fair value measurement of cash flow hedges	1,655	(2,759)	5,226
Arising on income and expenses reclassified from equity to profit or loss:			
Relating to available-for-sale investments	(14,290)	46,637	23,648
Relating to cash flow hedges	(738)	(944)	68
Total deferred income tax recognized in other comprehensive income	**(111,232)**	**(89,953)**	**(5,730)**

32 Insurance related assets and receivables

	December 31, 2012 (*)	December 31, 2011	December 31, 2010
Insurance business receivables	-	27,886	16,124
Receivable from reinsurers and reinsurance business receivables	-	318	568
Total insurance related assets and receivables	-	**28,204**	**16,692**

(*) Please refer to note 46 for the details of the disposal of Finans Pension.

33 Other assets

	December 31, 2012	December 31, 2011	December 31, 2010
Checks clearance account	254,500	91,960	107,964
Prepaid expenses	246,139	196,540	116,496
Assets acquired through foreclosure proceedings	159,631	125,433	127,064
Trade receivables	82,001	46,368	44,201
Receivables from asset sales	49,754	42,265	5,440
Receivables related to mutual fund sales	12,816	12,410	27,166
VAT and other recoverable taxes	1,860	15,521	16,921
Other	57,054	21,762	16,972
Total other assets	**863,755**	**552,259**	**462,224**

34 Due to other banks

	December 31, 2012	December 31, 2011	December 31, 2010
Time deposits due to credit institutions	1,086,427	817,039	872,229
Demand deposits due to credit institutions	21,529	36,748	21,695
Interbank deposits	60,032	165,355	43,489
Securities sold under agreements to repurchase	1,712,039	1,342,460	1,100,166
Total due to other banks	**2,880,027**	**2,361,602**	**2,037,579**

Securities that are subject to repurchase agreements amounted to TL 1,969,443 as of December 31, 2012 (December 31, 2011 – TL 1,489,964, December 31, 2010 – 1,173,810).

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

35 Customer deposits

	December 31, 2012	December 31, 2011	December 31, 2010
Deposits:			
Individuals	19,092,782	19,784,603	14,034,541
Corporate	11,559,719	8,846,667	8,846,673
Government and agencies	1,004,319	75,578	256,066
Total deposits	**31,656,820**	**28,706,848**	**23,137,280**
Securities sold to customers under agreements to repurchase	16,756	26,472	39,237
Total customer deposits	**31,673,576**	**28,733,320**	**23,176,517**

Securities that are subject to repurchase agreements amounted to TL 16,991 as of December 31, 2012 (December 31, 2011 - TL 26,934, December 31, 2010 - TL 38,947).

36 Debt securities issued

	Effective Interest Rate (%)	December 31, 2012	December 31, 2011	December 31, 2010
Corporate bonds - fixed rate	USD:5.48%- TL: 8.61%	4,204,536	1,393,182	201,783
Corporate bonds- floating rate	-	-	50,306	215,557
Total debt securities issued		**4,204,536**	**1,443,488**	**417,340**

On March 15, 2005, Finansbank obtained a loan via a special purpose entity, which issued USD 500.0 million Series 2005-A Floating Rate Notes secured on Finansbank's Diversified Payment Rights. The notes have a seven-year maturity and interest is paid quarterly, with no principal repayment for three years. Interest on the Series 2005-A Notes is determined as the three-month LIBOR plus 180 bps. On February 2, 2012 Finansbank redeemed the outstading amount of USD 31.0 million. (December 31, 2011 - USD 31.0 million, December 31, 2010- USD 156.0 million). In 2009, part of this issue to the amount of USD 39.0 million has been bought back by Finansbank and realized TL 3,280.0 gains in the income statement.

On March 24, 2006, Finansbank obtained a loan through a special purpose entity, which issued USD 110.0 million bonds with five-year maturity and USD 110.0 million bonds with a maturity of seven years. Interest is paid semi-annually for both issues and their interest rates were set at 6.25% and 6.50% respectively. In 2009, part of these issues to the amount of USD 45.0 million and the amount of USD 9.0 million have been bought back by Finansbank and realized TL 1,995.0 and TL 846.0 gains in the income statement, respectively. In 2010, part of these issues to the amount of USD 5 million and the amount of USD 30.0 million have been bought back by Finansbank and realized TL 152.0 and TL 771.0 losses in the income statement, respectively. In 2011, one of the bonds issued redeemed and TL 1,994.0 gains realized from the parts of the bond previously bought back.

The bank issued bonds with USD 500 million nominal value, 5 years maturity and 5.5% fixed interest rate in foreign markets on May 11, 2011. The Bank issued bonds with USD 350.0 million nominal value, 5 years maturity and 5.15% fixed rate in foreign markets on November 1, 2012. In 2012, part of these issues to the amount of USD 130.3 million (2011: USD 3.0 million) and the amount of USD 13.8 million have been bought back respectively by Finansbank and realized TL 3,896.8 total losses (2011: TL 766.0 gains) in the income statement.

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

The bank has issued bonds with TL 400,000 nominal value, 6 months maturity and 10.0% interest rate on September 14, 2012, issued bonds with TL 500,000 nominal value, 6 months maturity and 9.60% interest rate on September 21, 2012, issued bonds with TL 750,000 nominal value, 6 months maturity and 8.30% interest rate on November 15, 2012, issued bonds with TL 650,000 nominal value, 6 months maturity and 7.95% interest rate on December 14, 2012, issued bonds with TL 600,000 nominal value, 105 days maturity and 7.95% interest rate on December 28, 2012. In 2012, part of these issues to the amount of TL 15.3 million, the amount of TL 2.3 million, the amount of TL 12.4 million, the amount of TL 7.2 million and the amount of TL 1.5 million have been bought back respectively by Finansbank and realized TL 786 total losses in the income statement.

The bank has issued bonds with TL 150,000 nominal value, 6 months maturity and 10.66% interest rate on November 2, 2011 and issued bonds with TL 200,000 nominal value, 6 months maturity and 10.45% interest rate on November 30, 2011. In 2011, part of these issues to the amount of TL 35.0 million and the amount of TL 37.0 million have been bought back respectively by Finansbank and realized TL 29.0 total losses in the income statement.

37 Funds borrowed

	December 31, 2012	December 31, 2011	December 31, 2010
Subordinated loans - floating rate	1,629,590	1,742,641	1,010,383
Secured loan - fixed rate	-	-	295,133
Secured loan - floating rate	275,131	-	-
Other	3,131,270	3,389,585	3,931,923
Total funds borrowed	**5,035,991**	**5,132,226**	**5,237,439**

The secured loan – fixed rate represents a credit card secured loan in TL, with a five-year maturity, issued on March 31, 2006. Interest is paid quarterly and is set at 11.94%.

On April 24, 2008, a subordinated loan agreement amounting to USD 650.0 million was signed with National Bank of Greece S.A., the majority shareholder of the Bank and the first tranche of the loan amounting USD 200.0 million was withdrawn on April 29, 2008. The remaining USD 450.0 million represented two tranches of USD 250.0 million and USD 200.0 million, respectively, and was withdrawn on October 30, 2008. The maturity date of each tranche is 10 years subsequent to the date of withdrawal whereas at the end of the fifth year of every single tranche there is an option of prepayment. The applicable interest is fixed as 6 months' LIBOR plus 2.70% for the first tranche. Interest on the second and third tranches is 6 months' LIBOR plus the Turkish 5 years sovereign average CDS per annum, whereby the Turkish 5 years sovereign average CDS per annum is capped at a maximum of 3.70%.

Interest is paid semi-annually on both tranches and the principal is due on the maturity dates. On July 19, 2010 Finansbank repaid part of this subordinated loan, amounting to USD 325.0 million. In addition, the Bank received USD 260.0 million of subordinated loan in 2011 from National Bank of Greece S.A.

On October 8, 2009, Finansbank obtained a subordinated loan from the National Bank of Greece S.A. of USD 200.0 million. The loan bears until (and including) the optional prepayment date interest at Libor plus 3.20% per annum and thereafter, interest at Libor plus 3.70% per annum. The loan matures on October 7, 2019, with an optional repayment date on October 7, 2014.

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

On December 30, 2009, a subordinated loan agreement amounting to USD 125.0 million was signed with National Bank of Greece S.A. The maturity date of each tranche is 10 years subsequent to the date of withdrawal whereas at the end of the fifth year of every single tranche there is an option of prepayment. The loan bears until (and including) the optional prepayment date interest at Libor plus 3.20% per annum and thereafter interest at Libor plus 3.70% per annum. Interest is paid semi-annually on both tranches and the principal is due on the maturity dates.

The Group extended the maturity of USD 188.0 million and EUR 211.9 million portion of the syndicated loan in line with the Board of Directors' decision no: 61 dated October 18, 2012, for one year as of November 29, 2012.

In accordance with the diversified payment rights programme, the Bank obtained amounting to USD 75.0 million and EUR 10.0 million with five years maturity and amounting to EUR 50.0 million with twelve years maturity on December 20, 2012.

Other funds mainly include bilateral borrowings of Finansbank amounting to EUR 379.3 million, USD 607.5 million and TL 74.5 million, borrowings of Finans Leasing amounting to EUR 241.4 million, USD 125.0 million and borrowings of Finans Factoring amounting to EUR 20.0 million, USD 10.0 million and TL 213.0 million.

38 Insurance related reserves and liabilities

	December 31, 2012 (*)	December 31, 2011	December 31, 2010
Mathematical reserves	-	68,193	42,308
Outstanding claims reserves	-	7,776	4,878
Unearned premium reserves	-	13	32
Liabilities arising from reinsurance operations	-	-	-
Other life insurance reserves	-	2,479	1,391
Total insurance related reserves and liabilities	**-**	**78,461**	**48,609**

(*) Please refer to note 46 for the details of the disposal of Finans Pension.

39 Other liabilities

	December 31, 2012	December 31, 2011	December 31, 2010
Payables for credit card settlements	914,640	726,303	612,552
Checks payable	361,221	234,389	124,594
Clearance checks	254,500	91,960	107,964
Other provisions	164,846	109,715	118,673
Payroll related accruals	124,448	74,360	56,101
Taxes payable - other than income taxes	102,347	101,803	64,046
Creditors and suppliers	89,383	65,088	135,300
Credit cards payable	35,057	113,596	117,705
Accrued expenses and deferred income	31,385	21,222	31,743
Blocked accounts	26,556	15,949	9,171
Collaterals received	22,372	15,407	18,284
Legal fees payable	10,847	9,045	11,129
Other	174,551	23,264	93,077
Total other liabilities	**2,312,153**	**1,602,101**	**1,500,339**

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

The movement of other provisions is summarized as follows:

2012	Provision for credit card bonus payments	Provision for guarantees	Other	Total
Balance at January 1	**13,832**	**79,153**	**16,730**	**109,715**
Charge for the year	24,609	18,619	56,652	99,880
Utilized	(22,254)	(11,490)	(11,005)	(44,749)
Balance at December 31	**16,187**	**86,282**	**62,377**	**164,846**

2011	Provision for credit card bonus payments	Provision for guarantees	Other	Total
Balance at January 1	**15,148**	**88,604**	**14,921**	**118,673**
Charge for the year	17,830	19,021	9,027	45,878
Utilized	(19,146)	(28,472)	(7,218)	(54,836)
Balance at December 31	**13,832**	**79,153**	**16,730**	**109,715**

2010	Provision for credit card bonus payments	Provision for guarantees	Other	Total
Balance at January 1	**11,805**	**83,995**	**47,678**	**143,478**
Charge for the year	27,559	24,235	-	51,794
Utilized	(24,216)	(19,626)	(32,757)	(76,599)
Balance at December 31	**15,148**	**88,604**	**14,921**	**118,673**

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

Provision for guarantees represents the bank's exposure to off balance sheet credit risk derived from guarantees granted by the bank to its customers.

Other provisions include provision for Competition Board fine amounting to TL 40,516 as of December 31, 2012 (December 31, 2011: Nil, December 31, 2010: TL Nil), and other miscellaneous provisions.

40 Contingent liabilities and commitments

a. Pending tax inspections

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

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

b. Credit commitments

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

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

	December 31, 2012	December 31, 2011	December 31, 2010
Letters of guarantee	5,210,357	5,215,046	4,554,985
Acceptance credits	545,914	1,048,329	721,538
Letters of credit	579,351	688,611	722,850
Other guarantees	24,055	33,672	36,309
Total non-cash loans	**6,359,677**	**6,985,658**	**6,035,682**
Other commitments	6,262,160	4,741,652	2,616,912
Credit card limits	18,535,966	16,020,220	11,731,035
Total commitments	**31,157,803**	**27,747,530**	**20,383,629**

c. Assets pledged as collaterals

	December 31, 2012	December 31, 2011	December 31, 2010
Reserve deposits with T.R. Central Bank	4,294,045	2,106,165	1,683,739
Securities given as collateral	430,419	1,187,062	340,616
Blocked placements at foreign banks	778	59,921	49,600
Total	**4,725,242**	**3,353,148**	**2,073,955**

d. Operating lease commitments

	December 31, 2012	December 31, 2011	December 31, 2010
No later than 1 year	119,917	106,404	75,416
Later than 1 year and no later than 5 years	357,908	311,976	235,467
Later than 5 years	169,937	135,224	98,171
Total operating lease commitments	**647,762**	**553,604**	**409,054**

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

e. Transferred financial asssets

As at December 31, 2012 the carrying amount amount of transferred financial assets, which have been transferred but are subject to continued recognition in full and the associated recognized liabilities are presented in the table below:

	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities sold under agreements to repurchase	1,986,434	1,728,795
Total	**1,986,434**	**1,728,795**

41 Share capital issued

Share capital	Number of shares	Amount TL
January 1, 2010	**15,750,000,000**	**1,575,000**
Increase of share capital	6,300,000,000	630,000
December 31, 2010	**22,050,000,000**	**2,205,000**
Increase of share capital	2,350,000,000	235,000
December 31, 2011	**24,400,000,000**	**2,440,000**
Increase of share capital	1,250,000,000	125,000
December 31, 2012	**25,650,000,000**	**2,565,000**

The Bank’s share capital is composed of 25,650,000,000 ordinary shares and 100 founder shares. Founder shares have no voting rights but are entitled to receive 10% of statutory profit based on statutory financial statement as dividend after allocation of tax, legal reserve and first dividend (5% of nominal share capital) to shareholders.

On June 13, 2012, the paid in capital of the Bank increased from TL 2,440,000 to TL 2,565,000 within the registered capital ceiling. The increase was made through capitalization of extraordinary reserves in the amount of TL 125,000.

On June 20, 2011, the paid in capital of the Bank increased from TL 2,205,000 to TL 2,320,000 within the registered capital ceiling. The increase was made through capitalization of extraordinary reserves in the amount of TL 115,000. On December 12, 2011, the paid in capital of the Bank increased from TL 2,320,000 to TL 2,440,000 within the registered capital ceiling. TL 3,667 of the total increase of TL 120,000 was provided from extraordinary general reserves in the form of bonus shares and the remaining amount of TL 116,333 was increased by rights issue and collected in cash.

On June 14, 2010, the paid in capital of the Bank increased from TL 1,575,000 to TL 1,653,750 within the registered capital ceiling. The increase was made through capitalization of extraordinary reserves in the amount of TL 78,750. On December 22, 2010 the paid in capital of the Bank increased from TL 1,653,750 to TL 2,205,000 within the registered capital ceiling. TL 4,107 of the total increase of TL 551,250 was provided from extraordinary general reserves in the form of bonus shares and the remaining amount of TL 547,143 was increased by rights issue and collected in cash.

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

42 Reserves and retained earnings

2012	Legal Reserves	Other Capital Reserves and Retained Earnings	Total
Balance at January 1	**272,617**	**3,962,787**	**4,235,404**
Issue of share capital	-	(125,000)	(125,000)
Transfer from retained earnings	44,314	(44,314)	-
Acquisitions of subsidiaries/associates	-	(700)	(700)
Profit for the year	-	1,462,834	1,462,834
Balance at December 31	**316,931**	**5,255,607**	**5,572,538**

2011	Legal Reserves	Other Capital Reserves and Retained Earnings	Total
Balance at January 1	**206,865**	**3,439,464**	**3,646,329**
Dividends paid	-	(129,752)	(129,752)
Issue of share capital	-	(118,667)	(118,667)
Transfer from retained earnings	65,752	(65,752)	-
Disposals of subsidiaries/associates	-	1,441	1,441
Profit for the year	-	836,053	836,053
Balance at December 31	**272,617**	**3,962,787**	**4,235,404**

2010	Legal Reserves	Other Capital Reserves and Retained Earnings	Total
Balance at January 1	**170,731**	**2,660,823**	**2,831,554**
Issue of share capital	-	(82,857)	(82,857)
Transfer from retained earnings	36,134	(36,134)	-
Acquisitions of subsidiaries/associates	-	(1,092)	(1,092)
Disposals of subsidiaries/associates	-	319	319
Profit for the year	-	898,405	898,405
Balance at December 31	**206,865**	**3,439,464**	**3,646,329**

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profit at the rate of 5%, until the total reserve reaches a maximum of 20% of the Bank's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

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

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

Balance at January 1	**(251,696)**	**122,930**	**78,834**
Net change in fair value	489,293	(235,099)	173,362
Net amount transferred to profit or loss	71,449	(233,184)	(118,242)
Tax effect of net gains/losses on AFS	(112,148)	93,657	(11,024)
Total	**196,898**	**(251,696)**	**122,930**

Movements of Cash Flow Hedges, Net of Tax

	2012	2011	2010
Balance at January 1	**(6,361)**	**(21,176)**	**-**
Net change in fair value	(8,273)	13,797	(26,129)
Net amount transferred to profit or loss	3,692	4,722	(341)
Tax effect of net gains/losses on cash flow hedges	916	(3,704)	5,294
Total	**(10,026)**	**(6,361)**	**(21,176)**

43 Dividends

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

	2011	2010	2009
Dividends in the form of bonus shares	122,000	110,250	78,750
Cash dividends to founder shares	-	129,752 (*)	-

(*) TL 75,868 of the dividend distribution is incorporated from the profit of year 2010 and the remaining TL 53,884 is from the profit of year 2009.

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

44 Cash and cash equivalents

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

	December 31, 2012	December 31, 2011	December 31, 2010
Cash and balances with T.R. Central Bank	1,618,195	998,791	2,392,970
FVTPL with original maturities of less than three months	20	150	83
Due from banks with original maturities of less than three months	2,237,022	2,083,908	1,015,632
Total cash and cash equivalents	**3,855,237**	**3,082,849**	**3,408,685**

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

45 Related - party balances and transactions

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at December 31, 2012, 2011 and 2010 are presented below. Transactions were entered into with related parties during the course of business at market rates.

a. Balances and transactions with members of the Board of Directors and the key management of the Group

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

	December 31, 2012	December 31, 2011	December 31, 2010
Assets			
Loans and advances to customers	-	77	-
Liabilities			
Customer deposits	6,299	7,266	4,975

	12 month period ended December 31		
	2012	**2011**	**2010**
Income Statement			
Interest income	5	4	-
Fee and commission income	-	-	1
Interest expense	734	556	333

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

The members of Board of Directors and management received remuneration and benefits totaling approximately TL 43,129 as of December 31, 2012, (December 31, 2011 – TL 33,879, December 31, 2010 – TL 34,773) comprising mainly of salaries and other short-term benefits.

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

b. Balances and transactions with shareholders

	December 31, 2012	December 31, 2011	December 31, 2010
Assets			
Due from banks	8,883	1,918	556
Derivative financial assets(*)	907	-	3,141
Liabilities			
Due to other banks	19,017	31,352	1,832
Derivative financial liabilities(*)	13,359	13,399	7,722
Funds borrowed- Subordinated loans(**)	1,629,590	1,742,641	1,010,295
Funds borrowed-Other(**)	643,658	836,126	1,134,114

	12 month period ended December 31,		
	2012	2011	2010
Income Statement			
Interest income	-	-	29
Fee and commission income	-	2	93
Interest expense	93,495	77,122	76,951
Fee and commission expense	1,983	1,785	200
Net trading income and results from investment securities	727	(13,495)	(4,521)

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

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

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

Transactions between the other related parties are as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
Assets			
Due from banks	503	2,613	45,776
Loans and advances to customers	-	34,873	29,061
Derivative financial assets (*)	10,776	12,407	10,915
Liabilities			
Due to other banks	7,780	1,773	98,264
Customer deposits	-	-	799
Funds borrowed	-	-	8,013
Letters of guarantees	-	-	-
Derivative financial liabilities (*)	343	3,115	5,486

	12 month period ended December 31,		
	2012	2011	2010
Income Statement			
Interest income	2,438	3,266	13,492
Fee and commission income	1,148	1,200	2,556
Interest expense	-	882	3,499
Net trading income and results from investment securities	(1,370)	8,923	5,550

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

d. Balances and transactions with subsidiaries

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

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

46 Group consolidated companies

		% Participation		
Name	**Place of Incorporation**	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
Finans Emeklilik ve Hayat A.Ş. (Finans Pension) (*)	Turkey	49.00%	99.99%	99.99%
Finans Faktoring Hizmetleri A.Ş. (Finans Factoring)	Turkey	99.99%	99.99%	99.99%
Finans Tüketici Finansmanı A.Ş. (Finans Consumer Finance)	Turkey	-	99.99%	99.99%
Finans Yatırım Menkul Degerler A.Ş. (Finans Invest)	Turkey	100.00%	100.00%	100.00%
Finans Portfoy Yonetimi A.Ş. (Finans Portfolio Asset Management)	Turkey	100.00%	100.00%	100.00%
Finans Yatırım Ortaklığı A.Ş. (Finans Investment Trust)	Turkey	82.22%	49.36%	70.28%
Finans Finansal Kiralama A.Ş. (Finans Leasing)	Turkey	68.94%	64.32%	64.32%
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş. (IBTech)	Turkey	99.99%	99.99%	99.91%
Bosphorus Financial Services	Cayman Islands	100.00%	100.00%	100.00%
Istanbul Bond Company	Luxembourg	100.00%	100.00%	100.00%

(*) Finans Pension was consolidated in 2011 and 2010. In 2012 it was disposed of and accounted for as a joint venture. See note 46

47 Disposal of Subsidiaries

The Group completed the disposal of 51% of Finans Pension for a total consideration of TL 202,872 to Cigna Nederland Gamma B.V. ("Cigna") on November 9, 2012. After the share transfer, the remaining 49% shares of Finans Pension is accounted for as joint ventures instead of subsidiaries as a result of the shareholding structure after the share transfer agreement signed between the Bank and Cigna. The profit from the disposal amounted to TL 167,376 from the 51% disposal of Finans Pension and a fair value gain which is calculated as per the requirement of IAS 27, amounting to TL 171,534 for the remaining 49% shares was accounted for under "Other Operating Income".

Finans Pension:

	October 31, 2012
Consideration received in cash	192,321
Consideration receivable	10,551
Total cash consideration	**202,872**

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

Analysis of assets and liabilities over which control was lost:

ASSETS	**October 31, 2012**
Due from other banks	97,411
Financial assets at fair value through profit or loss and investment securities	41,224
Insurance operations assets and receivables	52,937
Other assets	6,739
Total assets	**198,311**
LIABILITIES	
Insurance reserves and liabilities from insurance operations	110,804
Current income taxes	5,509
Other liabilities	12,398
Total liabilities	**128,711**
Net assets derecognised (51%)	**35,496**

Gain on disposal of Finans Pension	
Total cash consideration	202,872
Plus: Fair value of interest retained	171,534
Less: Net asset derecognized	(35,496)
Less: Disposal Expenses	(10,791)
Gain	**328,119**
Net cash inflow on disposal of Finans Pension	
Consideration received in cash	192,321
Less: Cash and cash equivalents balances disposed of	(97,411)
Net cash inflow	**94,910**

The Group completed the disposal of Finans Consumer Finance to Banque PSA Finance SA on November 16, 2012 for a total consideration of TL 4,313. The profit from the disposal amounted to TL 2,505 and has been accounted for “Other Operating Income” in the accompanying consolidated financial statements.

48 Acquisition of Subsidiaries

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

The Group acquired 32.86% of Finans Investment Trust for a total consideration of TL 5.8 million and acquired 4.61% of Finans Leasing for a total consideration of TL 21.7 million.

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

49 Subsequent events

As per the Article 4, first clause of “Regulation On Deposits And Participation Funds Subject to Insurance And Premiums Collected by Saving Deposits Insurance Fund” published on the Official Gazette no.26339 dated November 7, 2006, the phrase of “TL 50,000” was changed to “TL 100,000” with the regulation published in the Official Gazette no.28560 dated November 15, 2013. After this regulation, private current accounts for each individual are included in the scope of insurance up to TL 100,000.

The Bank decided to issue bonds with USD 750,000,000 nominal value or equivalent of TL or other foreign currencies and with maturity up to 10 years, and to make necessary applications to Banking Regulation and Supervision Agency, Capital Markets Board of Turkey and Istanbul Stock Exchange.

Finans Leasing decided to issue bonds with TL 150,000,000 nominal value and with maturity up to 3 years, and to make necessary applications to Banking Regulation and Supervision Agency, Capital Markets Board of Turkey and Istanbul Stock Exchange, at the Board of Directors Meeting dated March 14, 2013.

In the Ordinary General Assembly Meeting of Finansbank A.Ş. dated March, 28, 2013 the profit distribution of the Parent Bank for the year 2012 is decided as follows:

2012 profit distribution table:

Current period income / (loss)	**902,346**
A – First Legal Reserves (Turkish Commercial Code 466/1) 5%	45,117
B – First Dividend to Shareholders(*)	128,250
C – Gains on Real estate Sales Fund	130,187
D – Extraordinary Reserves	598,792

Subsequently in 2013, Finansbank has issued TL denominated 400 million nominal value, 6 months maturity with a coupon of 7.15% interest rate on March 20, 2013, TL 476 million nominal value, 6 months maturity with a coupon of 6.95% interest rate on April 4, 2013 and TL 124 million nominal value, 370 days maturity with a coupon of 7.80% interest rate on April 19, 2013.