ALTERNATİF FİNANSAL KİRALAMA A.Ş.

FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT
AT 31 DECEMBER 2013

pwc

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Alternatif Finansal Kiralama A.Ş.

We have audited the accompanying financial statements of Alternatif Finansal Kiralama A.Ş. ("the Company") which comprise the balance sheet as of 31 December 2013 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Talar Gül, SMMM
Partner

Istanbul, 25 March 2014

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BALANCE SHEET AT 31 DECEMBER 2013

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	2013	2012
ASSETS			
Cash and cash equivalents	5	15,707	15,305
Available for sale investment securities	7	2	17
Derivative financial instruments	6	-	303
Investment in direct finance leases	8	533,251	347,271
Other assets and prepaid expenses	11	22,935	7,267
Property and equipment, net	9	1,578	909
Intangible assets, net	10	712	696
Deferred income tax assets, net	16	23,166	21,025
Total assets		**597,351**	**392,793**
LIABILITIES AND EQUITY			
Funds borrowed	12	455,303	260,580
Debt securities in issue	13	50,119	49,861
Accounts payable	14	7,133	2,157
Derivative financial instruments	6	835	-
Other liabilities	15	11,787	5,732
Other provisions	17	1,252	308
Reserve for employment termination benefits	18	230	206
Total liabilities		**526,659**	**318,844**
Equity			
Share capital	19	14,940	14,940
Legal reserves	20	2,342	2,265
Retained earnings	20	53,410	56,744
Total equity		**70,692**	**73,949**
Total liabilities and equity		**597,351**	**392,793**

The accompanying notes set out on pages 5 to 39 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	2013	2012
Interest income from direct finance leases		39,949	32,118
Interest income on placements and transactions with banks		584	1,217
Total interest income		**40,533**	**33,335**
Interest expense on funds borrowed		(17,647)	(17,219)
Interest expense on debt securities in issue		(4,713)	(1,385)
Net interest income		**18,173**	**14,731**
Impairment loss on finance lease receivables	8	(14,585)	(4,925)
Foreign exchange gains and (losses), net		3,133	(538)
Other income/(expense), net	24	(1,344)	6,043
Operating profit		**5,377**	**15,311**
Marketing, general and administrative expenses	21	(3,346)	(3,094)
Salaries and employee benefits	22	(7,163)	(6,130)
Depreciation and amortisation expenses	9,10	(266)	(237)
Profit before income tax		**(5,398)**	**5,850**
Taxation on income	16	2,141	(4,252)
Net profit for the year		**(3,257)**	**1,598**
Other comprehensive income		-	-
Total comprehensive income for the year		**(3,257)**	**1,598**

The accompanying notes set out on pages 5 to 39 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	Share capital	Legal reserves	Retained earnings	Total
Balance at 1 January 2012	**19,20**	**14,940**	**2,146**	**55,265**	**72,351**
Transfers		-	119	(119)	-
Total comprehensive income for the year		-	-	1,598	1,598
Balance at 31 December 2012		**14,940**	**2,265**	**56,744**	**73,949**
Balance at 1 January 2013					
Transfers		-	77	(77)	-
Total comprehensive income for the year		-	-	(3,257)	(3,257)
Balance at 31 December 2013		**14,940**	**2,342**	**53,410**	**70,692**

The accompanying notes set out on pages 5 to 39 form an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	2013	2012
Cash flows from operating activities			
Net profit for the year		(3,257)	1,598
Adjustments for:			
Depreciation and amortisation	9,10	266	237
Provision for employment termination benefits	18	24	124
Provision reversal of unused vacation		69	(71)
Provision for personnel bonus		960	820
Provision for impaired receivables	8	14,585	4,925
Deferred tax income		(2,141)	(4,252)
Interest income, net		(18,125)	(14,687)
Interest received		41,108	33,335
Interest paid		(21,260)	(17,263)
Unrealised foreign currency losses		(1,505)	2,947
Measurement of derivative financial instrument of fair value	6	1,138	(303)
Net cash provided by/(used in) operating activities before changes in operating assets and liabilities		**11,862**	**7,410**
Net increase in investment in direct finance leases		(200,565)	(64,092)
Net decrease in other assets		(15,653)	8,724
Net (increase)/decrease in accounts payable		4,976	(727)
Net (increase)/decrease in other liabilities		6,231	(404)
Employment termination benefits paid	18	(21)	(104)
Unused vacation paid		-	(71)
Personnel bonus paid		(820)	(677)
Net cash provided by operating activities		**(205,852)**	**(57,351)**
Cash flows from investing activities			
Purchase of property and equipment	9	(1,100)	(577)
Purchase of intangible assets	10	(238)	(366)
Proceedings from sale of property and equipment	9	390	-
Net cash (used in) investing activities		**(948)**	**(943)**
Cash flows from financing activities			
Proceeds (repayments) from funds borrowed		193,835	(25,283)
Debt securities in issue		-	49,861
Net cash (used in) financing activities		**193,835**	**24,578**
Net decrease/(increase) in cash and cash equivalents		(1,103)	(26,306)
Effect of exchange rate changes on cash and cash equivalents		1,505	(2,947)
Cash and cash equivalents at beginning of year	5	15,304	44,557
Cash and cash equivalents at end of year	**5**	**15,706**	**15,304**

The accompanying notes set out on pages 5 to 39 form an integral part of these financial statements.

NOTE 1 - GENERAL INFORMATION

Alternatif Finansal Kiralama A.Ş. (a Turkish joint stock company - "the Company") was established in February 1997, in order to operate in Turkey pursuant to the licence obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by the law number 3226. The Company started leasing operations in 1997 and its head office is located at 19 Mayıs Caddesi, Golden Plaza No: 3 Kat: 5, Şişli-Istanbul, Turkey.

The financial statements of the Company are authorized for issue by the Board of Directors on 19 March 2014.

As of 31 December 2013, the Company employs 59 persons (2012: 56).

The Company is mainly engaged in leasing of various equipment, construction machinery including industrial machinery and real-estate equipment. The Company operates predominantly in one geographical region, Turkey.

In accordance with the Share Transfer Agreement signed between Anadolu Endüstri Holding A.Ş and Alternatifbank A.Ş. and the Banking Regulation and Supervision Agency's authorization numbered 5558 dated 24 October 2013, Alternatifbank A.Ş. purchased on 8 November 2013, 19 November 2013 and 18 December 2013, 2,727,259,500 shares amounting to 95.8% of total shares from Anadolu Endüstri Holding A.Ş, and 118,990,100 shares from other shareholders. As a result Alternatifbank A.Ş. holds 100% of shares.

The Company's major shareholder is Alternatifbank A.Ş., and the ultimate parent enterprises of the Company is Commercial Bank of Qatar (CBQ).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation of financial statements

These financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company maintains its books of account and prepares its statutory financial statements in thousand of Turkish Lira ("TL") which is the Company's functional and presentation currency, in accordance with Turkish Commercial Code, Leasing Law and tax legislation. Turkish tax legislation required all leased assets be capitalised on the balance sheet of the lessor whether the lease is operating or finance lease until 1 July 2003. In accordance with amendments in Turkish tax law dated 24 April 2003, the lessors started to apply rules similar to IAS 17: "Leases" for the leasing transactions they entered after 1 July 2003 in their statutory financial statements.

The financial statements have been prepared on the historical cost convention except for the measurement at fair value of financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for the effects of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of the TL in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Company no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in these financial statements.

Changes in standards and interpretations

a. Standards, amendments and IFRICs applicable to 31 December 2013 year ends

- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.

- IAS 1 (amendment), "Presentation of financial statements", regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted.

- IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.
  Annual Improvements to IFRSs 2010. Amendments effect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34 and IFRIC 13.

- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IFRS 10, 11 and 12 on transition guidance (amendment), is effective for annual periods beginning on or after 1 January 2012. The amendment also provide additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosure related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for the periods before IFRS 12 is applied.

- IFRS 13, “Fair value measurement”, is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IAS 27 (revised), “Separate financial statements”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised), “Associates and joint ventures”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRS 7 (amendment), “‘Financial instruments: Disclosures’, on offsetting financial assets and financial liabilities”, is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

- IAS 32 (amendment), “‘Financial instruments: Presentation’, on offsetting financial assets and financial liabilities”, is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, ‘Financial instruments: Presentation’, to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- IFRS 1 (amendment), “‘First time adoption’, on government loans”, is effective for annual periods beginning on or after 1 January 2013. The amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

- Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments effect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

- IFRIC 20, “Stripping costs in the production phase of a surface mine” is effective for annual periods beginning on or of 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. New IFRS standards, amendments and IFRICs effective after 1 January 2014

- Amendment to IAS 32, ‘Financial instruments: Presentation’, on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014.These amendments are to the application guidance in IAS 32, ‘Financial instruments: Presentation’, and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an ‘investment entity’ definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39 ‘Financial Instruments: Recognition and Measurement’ - ‘Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria

- IFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IFRS 9 ‘Financial instruments’ – classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, ‘Financial instruments: Recognition and measurement’. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.

- Amendments to IFRS 9, ‘Financial instruments’, regarding general hedge. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Amendment to IAS 19 regarding defined benefit plans; ; is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

    - IFRS 2, 'Share-based payment'
    - IFRS 3, 'Business Combinations'
    - IFRS 8, 'Operating segments'
    - IFRS 13, 'Fair value measurement'
    - IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets'
    - Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
    - IAS 39, financial instruments – Recognition and measurement'.

- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:

    - IFRS 1, 'First time adoption'
    - IFRS 3, 'Business combinations'
    - IFRS 13, 'Fair value measurement' and
    - IAS 40, 'Investment property'.

Change in accounting policies, accounting estimates and errors:

Changes in accounting policies or fundamental accounting errors are applied retrospectively and the financial statements for the prior periods are restated. If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates related to more than one period, changes are applied both in the current and following periods prospectively. Any material accounting error detected is applied retrospectively and prior year financial statements are restated, accordingly.

Related parties

For the purpose of these financial statements, the shareholders, key management personnel and Board members, Alternatifbank, Commercial Bank of Qatar (CBQ), Anadolu Group and Yazıcılar Holding Group and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 23).

Due from other banks

Amounts due from other banks are recorded when the Company advances money to counterparty banks with no intention of trading the resulting receivable, due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The fair values of derivative financial instruments that are quoted in active markets are determined from quoted market prices in active markets including recent market transactions. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques, including discounted cash flow models. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. Fair values of derivatives are carried as assets when positive and as liabilities when negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Derivative financial instruments are classified as held for trading (Note 6).

Investment securities

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

Investment securities are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of it. Available-for-sale investment securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be transferred to income statement. Unlisted equity securities for which fair values cannot be measured reliably are recognised at cost after deductions for any impairment (Note 7)

Interest earned whilst holding investment securities is reported as interest income. Dividends on available for sale equity instruments are recognized in profit and loss when the Company has the right to receive any payment.

All regular way purchases and sales of investment securities are recognised at the settlement date, which is the date that the asset is delivered to/from the Company.

Accounting for leases (where the Company is a lessor)

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. All costs that are directly attributable to the investment in direct finance lease are capitalised at initial recognition as part of the investment in direct finance lease and amortised via effective interest rate method. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognised on sale of leased assets is recorded as gain on liquidation of investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct financing leases.

Gross rentals due but not received at the balance sheet date are classified as receivables from outstanding lease payments. Receivables from outstanding lease payments are carried at net realisable value.

Accounting for leases (where the Company is a lessee)

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Allowance for impairment of lease receivables

A credit risk provision for impairment of the investment in direct finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables.

Objective evidence that a financial lease receivable is impaired includes observable data that comes to the attention of the Company 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 Company 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 lease receivable 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 lease receivable since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial lease receivable in the Company, including:

    (i) adverse changes in the payment status of borrowers in the; or
    (ii) national or local economic conditions that correlate with defaults on the assets in the Company.

If there is objective evidence that an impairment loss on financial lease receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial lease receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the financial lease receivable is reduced through use of an allowance account. The amount of the loss is recognized in income statement. Impairment and uncollectibility are measured and recognized individually for receivables that are individually significant and on a portfolio basis for a group of similar receivables that are not individually identified as impaired.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A write off is made when all or part of a receivable is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principle amount of a receivable. Recoveries of receivables written off in earlier period are included in income.

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, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Property and equipment

All property and equipment is carried at cost, restated equivalent to purchasing power of TL at 31 December 2005 less accumulated depreciation. Depreciation is calculated over the restated amounts of property and equipment by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life as follows:

Buildings	50 years
Equipment, furniture and fixtures	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net selling price" and "value in use"), it is written down immediately to its recoverable amount. The recoverable amount of the impaired property and equipment represents the net selling price.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Intangible assets

Intangible assets are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets mainly comprise of rights and amortised by using the straight-line method over their useful lives of 5 years.

Financial liabilities

Financial liabilities including borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method. All borrowing costs are recorded in the income statement in the period in which they are incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation (Note 16).

Taxes other than on income are recorded within other income / (expense) (Note 24).

b. Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the provision for impaired lease receivables, reserve for annual leave provision, unused investment allowances and provision for employment termination benefits (Note 16).

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Company. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax, and for financial reporting purposes are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision is not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Reserve for employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labour Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service (Note 18).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Group has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Income and Expense Items Accounted in Equity" and presented in the Legal Reserves item in the Shareholders Equity section.

Accounts payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The Company management considers that the carrying amount of accounts payable approximates their fair value.

Revenue recognition

Direct financing leases consist of full-payout leases for various types of equipment. The excess of aggregate contract lease rentals, plus the nominal residual value, over the original cost of the related equipment represents the total revenue to be recognised over the term of the lease. The revenue is recognised in order to provide a constant periodic rate of return on the net investment remaining in each lease.

Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct financing leases. Gross rentals due, but not received at the balance sheet date are classified as receivable lease payments outstanding.

Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in Turkish lira at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Reporting of cash flows

For the purposes of statement of cash flows, cash and cash equivalents include balances of cash and due from banks with original maturity periods of less than three months (Note 5).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Share capital

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company’s shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the post balance sheet events note.

Subsequent Events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Company (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote. The Company restates its financial statements if such subsequent events arise.

Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

The Company’s activities expose to a variety of financial risks including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Market risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates including credit spreads, foreign exchange rates, equity prices and commodity prices. The Company manages liquidity risk, foreign exchange risk and interest rate risk by considering market risk.

The core business of the Company is to serve clients' financial needs; therefore typically the Company acts as a commercial institution, an activity which could expose the Company to risks such as foreign exchange risk, interest rate risk and liquidity risk.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or Company's of customers in specific locations or businesses. It also obtains security when appropriate.

The table below summaries the geographic distribution of the Company's assets and liabilities:

2013	**Assets**	**%**	**Liabilities**	**%**
Turkey	589,759	98	307,855	58
European countries	3,888	1	218,804	42
Other	3,704	1	-	-
	597,351	**100**	**526,659**	**100**

2012	**Assets**	**%**	**Liabilities**	**%**
Turkey	392,294	100	207,822	65
European countries	83	-	111,022	35
Other	416	-	-	-
	392,793	**100**	**318,844**	**100**

Maximum exposure to credit risk

	2013	**2012**
Credit risk exposures relating to balance sheet items:		
Due from banks	15,707	15,305
Investment in direct finance leases, net	533,251	347,271
Insurance receivables	1,041	1,140

The above table represents a worst case scenario of credit risk exposures.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

c. Currency risk

Foreign currency risk is a result of the Company's assets and liabilities denominated in foreign currencies. The Company has a foreign currency position as a result of its operations. The table below summaries the Company's exposure to foreign currency exchange rate risk.

	Foreign Currency					
2013	**USD**	**EUR**	**JPY**	**Total**	**TL**	**Total**
Assets						
Cash and cash equivalents	4,602	10,855	-	15,457	250	15,707
Available for sale investment securities	-	-	-	-	2	2
Investment in direct finance leases	125,286	254,245	-	379,531	153,720	533,251
Other assets and prepaid expenses	3,940	7,567	-	11,507	11,428	22,935
Property and equipment, net	-	-	-	-	1,578	1,578
Intangible assets, net	-	-	-	-	712	712
Deferred income tax assets, net	-	-	-	-	23,166	23,166
Total assets	**133,828**	**272,667**	**-**	**406,495**	**190,856**	**597,351**
Liabilities						
Funds borrowed	124,735	262,400	-	387,135	68,168	455,303
Debt securities in issue	-	-	-	-	50,119	50,119
Accounts payable	869	2,008	114	2,991	4,142	7,133
Derivative financial instruments	-	-	-	-	835	835
Other liabilities	2,350	4,502	-	6,852	4,935	11,787
Other provisions	-	-	-	-	1,252	1,252
Reserve for employment termination benefits	-	-	-	-	230	230
Total liabilities	**127,954**	**268,910**	**114**	**396,978**	**129,681**	**526,659**
Net balance sheet position	**5,874**	**3,757**	**(114)**	**9,517**	**61,175**	**70,692**
Net off-balance sheet position	**(6,624)**	**-**	**-**	**(6,624)**	**5,847**	**(777)**
Financial derivative assets	-	-	-	-	5,847	5,847
Financial derivative liabilities	6,624	-	-	6,624	-	6,624

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	Foreign Currency					
2012	**USD**	**EUR**	**GBP**	**Total**	**TL**	**Total**
Assets						
Cash and cash equivalents	7,501	7,162	-	14,663	642	15,305
Available for sale investment securities	-	-	-	-	17	17
Derivative financial instruments	-	-	-	-	303	303
Investment in direct finance leases	94,048	148,156	-	242,204	105,067	347,271
Other assets and prepaid expenses	1,135	2,169	-	3,304	3,963	7,267
Property and equipment, net	-	-	-	-	909	909
Intangible assets, net	-	-	-	-	696	696
Deferred income tax assets, net	-	-	-	-	21,025	21,025
Total assets	**102,684**	**157,487**	**-**	**260,171**	**132,622**	**392,793**
Liabilities						
Funds borrowed	97,443	128,612	17,592	243,647	16,933	260,580
Debt securities in issue	-	-	-	-	49,861	49,861
Accounts payable	250	541	-	791	1,366	2,157
Other liabilities	1,112	2,304	-	3,416	2,316	5,732
Other provisions	-	250	-	250	58	308
Reserve for employment termination benefits	-	-	-	-	206	206
Total liabilities	**98,805**	**131,707**	**17,592**	**248,104**	**70,740**	**318,844**
Net balance sheet position	**3,879**	**25,780**	**(17,592)**	**12,067**	**61,882**	**73,949**
Net off-balance sheet position	**1,390**	**(18,887)**	**17,817**	**320**	**-**	**320**
Financial derivative assets	19,396	-	18,381	37,777	-	37,777
Financial derivative liabilities	18,006	18,887	564	37,457	-	37,457

At 31 December 2013, assets, liabilities and off-balance sheet derivative financial instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of and TL2.1343=USD, TL2.9365=EUR1 (2012: TL1.7826=USD1 and TL2.3517=EUR1), TL3.5114=GBP1 (2012: TL2.8708=GBP1) and TL0.0202=JPY1 (2012: TL0.0207=JPY1)

The table below shows the Company's sensitivity against 10% changes in USD and EUR rates against TL in the income statement. In this analysis it has been assumed that all other variables, especially interest rates, are being held constant.

	2013		2012	
	Profit and loss	**Equity**	**Profit and loss**	**Equity**
USD impact	(75)	(75)	527	527
EUR impact	376	376	689	689
JPY impact	(11)	(11)	-	-
GBP impact	-	-	23	23
Total	**290**	**290**	**1,239**	**1,239**

In the case of appreciation of TL against USD and EUR 10%, totals shown above has equal or opposite effect on the income statement.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

d. Liquidity risk

Liquidity risk is the possibility that the Company will be unable to fund its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. The Company's policy is to match cash outflow mainly arising from repayments of the funds borrowed and cash inflow mainly arising from lease receivables maintained in the portfolio. Repayment schedules of leasing contracts made with the customers are structured considering the funding and equity base of the Company.

In addition, the Company maintains reasonable amount of cash at bank in order to protect itself against the risk of deviation from the expected in and out cash flows in an unfavorable manner.

The following table presents the cash flows payable by the Company under non-derivative financial liabilities remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

2013	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**No definite maturity**	**Total**
Funds borrowed	151,657	158,867	161,249	-	471,773
Debts securities in issue	-	54,219	-	-	54,219
Total liabilities	**151,657**	**213,086**	**161,249**	**-**	**525,992**
Cash and cash equivalents	15,495	-	-	212	15,707
Investment in direct finance leases, net	54,479	119,083	393,049	27,927	594,538
Assets held for managing liquidity risk (contractual maturity dates)	**69,974**	**119,083**	**393,049**	**28,139**	**610,245**

2012	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**No definite maturity**	**Total**
Funds borrowed	61,700	150,722	57,093	-	269,515
Debts securities in issue	-	-	57,192	-	57,192
Total liabilities	**61,700**	**150,722**	**114,285**	**-**	**326,707**
Cash and cash equivalents	14,031	-	-	1,274	15,305
Investment in direct finance leases, net	46,226	114,913	201,082	36,136	398,357
Assets held for managing liquidity risk (contractual maturity dates)	**60,257**	**114,913**	**201,082**	**37,410**	**413,662**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value or future cash flows of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. The table below summaries the average year-end interest rates by major currencies for monetary financial instruments:

	2013 (%)			2012 (%)			
Assets	**USD**	**EUR**	**TL**	**GBP**	**USD**	**EUR**	**TL**
Cash and cash equivalents	2.80	2.70	7.25	-	2.50	2.30	6.00
Investment in direct finance leases	7.00	6.90	12.90	-	8.21	8.76	15.59
Liabilities							
Funds borrowed	3.39	3.49	8.34	6.50	4.97	5.24	13.11
Debt securities in issue	-	-	11.28	-	-	-	8.24

The table below summaries the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the re-pricing or contractual dates whichever is earlier.

2013	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**Non-interest bearing**	**Total**
Assets					
Cash and cash equivalents	15,495	-	-	212	15,707
Available for sale investment securities	-	-	-	2	2
Investment in direct finance leases	47,395	103,201	354,728	27,927	533,251
Other assets and prepaid expenses	-	-	-	22,935	22,935
Property and equipment, net	-	-	-	1,578	1,578
Intangible assets, net	-	-	-	712	712
Deferred income tax assets, net	-	-	-	23,166	23,166
Total assets	**62,890**	**103,201**	**354,728**	**76,532**	**597,351**
Liabilities					
Funds borrowed	347,121	108,182	-	-	455,303
Debt securities in issue	50,119	-	-	-	50,119
Accounts payable	-	-	-	7,133	7,133
Derivative financial instruments	-	-	-	835	835
Other liabilities	-	-	-	11,787	11,787
Other provisions	-	-	-	1,252	1,252
Reserve for employment termination benefits	-	-	-	230	230
Total liabilities	**397,240**	**108,182**	**-**	**21,237**	**526,659**
Net re-pricing gap	**(334,350)**	**(4,891)**	**354,728**	**55,297**	**70,692**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

2012	Up to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	14,031	-	-	1,274	15,305
Available for sale investment securities	-	-	-	17	17
Derivative financial instruments	303	-	-	-	303
Investment in direct finance leases	38,743	94,919	180,239	33,370	347,271
Other assets and prepaid expenses	-	-	-	7,267	7,267
Property and equipment, net	-	-	-	909	909
Intangible assets, net	-	-	-	696	696
Deferred income tax assets, net	-	-	-	21,025	21,025
Total assets	**53,077**	**94,919**	**180,239**	**64,558**	**392,793**
Liabilities					
Funds borrowed	119,630	123,695	17,255	-	260,580
Debt securities in issue	49,861	-	-	-	49,861
Accounts payable	-	-	-	2,157	2,157
Other liabilities	-	-	-	5,732	5,732
Other provisions	-	-	-	308	308
Reserve for employment termination benefits	-	-	-	206	206
Total liabilities	**169,491**	**123,695**	**17,255**	**8,403**	**318,844**
Net re-pricing gap	**(116,414)**	**(28,776)**	**162,984**	**56,155**	**73,949**

Interest Rate Sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both non-derivatives and derivative instruments, if any, at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2013 would decrease/increase by TL1,429 (2012: decrease/increase by TL661). This is mainly attributable to the Company's exposure to interest rates on its variable rate funds borrowed.

f. Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and various insurances are employed as main methods.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

g. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

Fair value of financial assets is measured according to the assumptions based on quoted bid prices of similar assets, or amounts derived from cash flow models.

The fair values of certain financial assets excluding finance lease receivables and funds borrowed are considered to approximate their respective carrying values due to their short-term nature. Fair value of floating rate funds borrowed and debt securities in issue is considered to approximate their carrying values.

The table below indicates the fair value of the financial assets which are stated at their carrying amounts:

	2013	2012
Financial Assets		
Net investment in direct finance leases - Carrying amount	533,251	347,271
Net investment in direct finance leases - Fair value	537,378	352,413
Financial Liabilities		
Funds borrowed - Carrying amount	455,303	260,580
Funds borrowed - Fair value	454,998	253,335
Debt securities in issue - Carrying amount	50,119	49,861
Debt securities in issue - Fair value	50,119	49,861

Since available for sale share certificates are not quoted in a stock exchange, they are carried at cost and are not included in the table above.

The following tables present the Company's assets and liabilities that are measured at fair value:

31 December 2013	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
- Derivatives	-	835	-	835
Total liabilities	**-**	**835**	**-**	**835**

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
- Derivatives	-	303	-	303
Total assets	**-**	**303**	**-**	**303**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

h. Capital management

According to 12rd article of "regulation on the Establishment and Operations of Leasing, Factoring, and Consumer Finance Companies" which was published in the Official Gazette dated 24 April 2013 and numbered 28627, total shareholders' equity cannot be less than 3% of total assets of the Company. As of 31 December 2013, the related ratio is 12%. Therefore, as of 31 December 2013 there is no breach of the lending limits.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 3). Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Allowance for impairment of finance lease receivables

A credit risk provision for impairment of the investment in finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of finance lease receivables are based on the aging of these receivable balances and the trend of collection performance.

Deferred income tax asset recognition

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	2013	**2012**
Demand deposits	63	532
Time deposits	187	110
Total TL denominated demand and time deposits at banks	250	642
Foreign currency denominated demand deposits at banks	149	742
Foreign currency denominated time deposits at banks	15,308	13,921
Total foreign currency denominated demand and time deposit at banks	15,457	14,663
Total demand and time deposits at banks	**15,707**	**15,305**

For the purposes of cash flow statements, cash and cash equivalents amounting to TL 15,706 (2012: TL15,304) and comprised from due from banks excluding accrued interest.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes the following derivative instruments:

"Currency forwards" represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

2013

	Contract/notional	**Fair values**	
	Amount	**Assets**	**Liabilities**
Derivatives held for trading			
Currency forwards	12,471	-	835
Total derivative assets/ (liabilities) held for trading	**12,471**	**-**	**835**

2012

	Contract/notional	**Fair values**	
	Amount	**Assets**	**Liabilities**
Derivatives held for trading			
Currency forwards	75,234	303	-
Total derivative assets/ (liabilities) held for trading	**75,234**	**303**	**-**

NOTE 7 - AVAILABLE FOR SALE INVESTMENT SECURITIES

	2013		**2012**	
	Share	**Amount**	**Share**	**Amount**
Listed equity securities				
Alternatif Yatırım Ortaklığı A.Ş.	<1%	2	<1%	2
Unlisted equity securities				
Anadolu Varlık Yönetim A.Ş.	<1%	-	<1%	15
Total		**2**		**17**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 8 - INVESTMENT IN DIRECT FINANCE LEASES

	2013	2012
Gross investment in direct finance leases	560,730	353,270
Invoiced lease receivables	5,831	4,602
Gross finance lease receivables	**566,561**	**357,872**
Unearned finance income	(61,237)	(46,738)
Finance lease receivables	**505,324**	**311,134**
Impaired lease receivables	55,389	63,700
Provision for impaired lease receivables	(27,462)	(27,563)
Finance lease receivables, net	**533,251**	**347,271**

At 31 December 2013 and 2012, the finance lease receivables have fixed interest rates.

At 31 December 2013 and 2012, the leasing receivables have the following collection schedules:

Period end	**2013 Gross**	**2013 Net**
31 December 2014	255,567	221,299
31 December 2015	173,776	156,279
31 December 2016	91,963	84,898
31 December 2017 and after	45,255	42,848
	566,561	**505,324**

Period end	**2012 Gross**	**2012 Net**
31 December 2013	158,509	132,078
31 December 2014	113,153	99,630
31 December 2015	61,688	56,488
31 December 2016	21,420	20,040
31 December 2017 and after	3,102	2,898
	357,872	**311,134**

Finance lease receivables can be analysed as follows:

	2013	2012
Neither past due nor impaired	499,493	306,532
Past due but not impaired	5,831	4,602
Impaired	55,389	63,700
Gross	**560,713**	**374,834**
Less: allowances for impairment	(27,462)	(27,563)
Net finance lease receivables	**533,251**	**347,271**

As at 31 December 2013, 298,448 of the total collaterals (2012: TL286,223) are related with the impaired finance lease receivables amounting to TL31,437 (2012: TL64,409).

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 8 - INVESTMENT IN DIRECT FINANCE LEASES (Continued)

The ageing of past due but not impaired finance lease receivables are as follows:

	2013		2012	
	Invoiced Amount	**Remaining Principal**	**Invoiced Amount**	**Remaining Principal**
0-30 days	3,062	48,046	1,318	31,737
31-60 days	1,165	5,548	2,241	18,503
61-90 days	1,604	7,578	1,043	6,157
	5,831	**61,172**	**4,602**	**56,397**

The ageing of impaired finance lease receivables is as follows:

	2013	**2012**
91-150 days	3,683	4,572
151-240 days	4,058	10,252
241-365 days	3,957	4,269
366 days and over	43,691	44,607
	55,389	**63,700**

Movements in provision for impaired finance lease receivables are as follows:

	2013	**2012**
At 1 January	**27,563**	**22,638**
Impairment expense during the year	16,750	10,026
Recoveries of amounts previously provided for (including foreign exchange differences)	(2,165)	(5,101)
Write-off(*)	(14,686)	-
At 31 December	**27,462**	**27,563**

(*) The write-off balance consists of released loan loss provision upon sale of Non-Performing Loans to LBT Varlık Yönetimi A.Ş. on 11 November 2013. The effect of FX valuation amounting to TL 2,104 is not included in the table above.

Economic sector risk concentrations for the net investment in direct finance leases are as follows:

	2013	**%**	**2012**	**%**
Construction	168,449	33	89,040	29
Production	150,754	30	99,436	32
Textile	65,052	13	24,648	8
Food and beverage	28,071	6	18,853	6
Services	25,378	5	21,218	7
Press	16,533	3	11,219	3
Transportation	15,690	3	14,522	5
Office Equipment	15,020	3	12,806	4
Marketing	10,579	2	6,409	2
Health	6,990	1	9,546	3
Other	2,808	1	3,437	1
	505,324	**100**	**311,134**	**100**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 8 - INVESTMENT IN DIRECT FINANCE LEASES (Continued)

Minimum financial lease receivables consist of rentals receivable over the terms of leases. As per the lease agreements made with lessees, the ownership of the items leased is transferred to the lessees at the end of the lease term.

As of 31 December 2013 neither past due nor impaired finance lease receivables amounting to TL17,732 (2012: TL10,135) and past due but not impaired receivables amounting to TL1,009 (2012: TL334) have been renegotiated, rescheduled or revised.

Depending on the customers' inability to repay its obligations arising from financial leases or other similar economic factors, the Company cancelled some of the lease contracts signed with its customers. These related assets may be re-leased to the same customer or to the other customers or; may be sold to the third parties, depending upon circumstances.

As of 31 December 2013 and 2012, the Company obtained the following collaterals from its customers except the goods subjected to finance lease agreements:

	2013	**2012**
Mortgages	176,540	196,700
Transfer of rights of receivables	54,264	44,749
Pledged assets	29,958	23,364
Life insurance	14,664	9,932
Buyback guarantees	9,671	9,098
Guarantee letters	8,778	385
Cheques received	3,855	1,068
Guarantee notes	444	451
Cash blockage	274	476
	298,448	**286,223**

Investment in direct finance leases are further analysed as a part of the balance sheet in the notes: related party transactions (Note 23) and financial risk management (Note 3).

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 9 - PROPERTY AND EQUIPMENT

	Land and Buildings	Equipment, Furniture and Fixtures	Total
1 January 2013, net book value	815	94	909
Additions	1,048	52	1,100
Disposals	(390)	-	(390)
Depreciation charge for the year	(7)	(34)	(41)
31 December 2013	**1,466**	**112**	**1,578**
31 December 2012			
Cost	821	708	1,529
Accumulated depreciation	(6)	(614)	(620)
Net book value	**815**	**94**	**909**
31 December 2013			
Cost	1,479	760	2,239
Accumulated depreciation	(13)	(648)	(661)
Net book value	**1,466**	**112**	**1,578**

	Land and Buildings	Equipment, Furniture and Fixtures	Total
1 January 2012, net book value	859	99	958
Additions	548	29	577
Disposals	(587)	-	(587)
Depreciation charge for the year	(5)	(34)	(39)
31 December 2012	**815**	**94**	**909**
31 December 2011			
Cost	869	679	1,548
Accumulated depreciation	(10)	(580)	(590)
Net book value	**859**	**99**	**958**
31 December 2012			
Cost	821	708	1,529
Accumulated depreciation	(6)	(614)	(620)
Net book value	**815**	**94**	**909**

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 10 - INTANGIBLE ASSETS

	Total
1 January 2013, net book value	697
Additions	238
Amortisation charge for the year	(223)
31 December 2013	**712**
31 December 2012	
Cost	1,409
Accumulated amortisation	(713)
Net book value	**696**
31 December 2013	
Cost	1,647
Accumulated amortisation	(935)
Net book value	**712**

	Total
1 January 2012, net book value	529
Additions	366
Amortisation charge for the year	(199)
31 December 2012	**696**
31 December 2011	
Cost	1,043
Accumulated amortisation	(514)
Net book value	**529**
31 December 2012	
Cost	1,409
Accumulated amortisation	(713)
Net book value	**696**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 11 - OTHER ASSETS AND PREPAID EXPENSES

	2013	2012
Equipment to be leased	16,688	4,003
Prepaid expenses	3,483	247
Receivables from insurance policies	1,041	1,140
Value Added Tax ("VAT") deductible	251	1,180
Prepaid taxes	105	193
Other	1,367	504
Total	**22,935**	**7,267**

Equipments to be leased consist of assets purchased for the financial lease agreements signed in the current period, which will be transferred to lessees in the subsequent period.

NOTE 12 - FUNDS BORROWED

		2013			2012		
		Original Amount	**TL Equivalent**	**Interest Rate (%)**	**Original Amount**	**TL Equivalent**	**Interest Rate (%)**
Short-term			**307,549**			**207,052**	
Fixed interest	EUR	41,341	121,397	3.55	28,439	66,879	5.74
	USD	38,640	82,470	3.47	51,662	92,094	5.05
	GBP	-	-	-	6,128	17,590	6.50
	TL	68,168	68,168	8.34	16,933	16,933	13.11
Floating interest	EUR	12,094	35,514	4.35	5,764	13,556	6.20
Medium/long - term			**147,754**			**53,528**	
Fixed interest	EUR	15,184	44,587	3.20	5,062	11,905	4.75
	USD	-	-	-	3,001	5,350	3.50
Floating interest	EUR	20,739	60,901	3.09	15,424	36,273	4.13
	USD	19,803	42,266	3.24	-	-	-
Total			**455,303**			**260,580**	

Floating rate funds borrowed bear interest at rates fixed in advance for periods of three and six months. Repayments of medium/long-term funds borrowed are as follows:

	2013		2012	
	Fixed Rate	**Floating Rate**	**Fixed Rate**	**Floating Rate**
2014	-	-	17,255	27,411
2015	-	5,728	-	3,544
2016	44,587	94,590	-	3,544
2017	-	2,849	-	1,774
Total	**44,587**	**103,167**	**17,255**	**36,273**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 13 - DEBT SECURITIES IN ISSUE

	2013	2012
Debt securities in issue	50,119	49,861
	50,119	**49,861**

The Company's issued debt securities and its properties are as follows:

ISIN Code	Date of issue	Nominal Amount Issued(*)	Call Date	Sales Method	Coupon Period
TRSALFK91417	17 September 2012	50,000,000	15 September 2014	Allocated to qualified investors	Coupon payments quarterly

(*)Amounts are expresses in full TL.

Coupon interest rates of the bonds issued by the Company are variable; and the interest rates of the bonds to occur in each coupon period are re-calculated based on the government debt securities issued by T.R. Undersecretariat for Treasury selected as a benchmark for the relevant bond. Effective interest rate for the period between 16 December 2013 and 17 March 2014 has been determined to be 11.28%.

		2013			2012		
		Original Amount	**TL Equivalent**	**Interest Rate (%)**	**Original Amount**	**TL Equivalent**	**Interest Rate (%)**
Medium/long -term			**50,119**			**49,861**	
Floating interest	TL	50,119	50,119	11.28	49,861	49,861	8.24
Total			**50,119**			**49,861**	

NOTE 14 - ACCOUNTS PAYABLE

	2013	2012
Insurance policy payables	4,418	1,369
Payables to suppliers	2,403	653
Other	312	135
Total	**7,133**	**2,157**

NOTE 15 - OTHER LIABILITIES

	2013	2012
Advances received	8,183	3,314
Prepayments from customers	1,942	1,196
Provision for personnel performance bonus	960	820
Social security premiums payable	218	190
Provision for unused annual vacation	187	118
Other	297	94
Total	**11,787**	**5,732**

Advances received are related with the amounts received from customers regarding the financial leasing agreements.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 16 - TAXATION

Components of income tax expenses for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
Current income tax charge	-	-
Deferred tax income/(expense)	2,141	(4,252)
	2,141	**(4,252)**

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 20% (2013: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilised within the scope of Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax declaration is made by the 14th day of the following month and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities according to inflation adjustments. In accordance with the aforementioned law's provisions, in order to apply inflation adjustment, the cumulative inflation rate (State Institute of Statistics-Wholesale Price Indices) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not met for the years ended 31 December 2013 and 2012.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

NOTE 16 - TAXATION (Continued)

As of 31 December 2013, current year tax loss is TL 998 as a result there is no corporation tax expense.

As of 31 December 2012, tax profit is TL 1,076 and there is no tax expense after deducting investment allowances.

Exemption for investment allowance

Investment allowance applied for several years and calculated as 40% of fixed asset acquisitions exceeding a certain amount, was abolished with law no. 5479 dated 8 April 2006. However, in accordance with temporary law no. 69 added to the Income Tax Law, as of 31 December 2005 corporate and income taxpayers can offset the investment allowance amounts which they could not offset against income in 2005.

a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No. 193, with Law No.4842, dated 9 April 2003.

b) Investment allowance amounts to be calculated in accordance with legislation effective on 31 December 2005 in relation to investments which exhibit an integrity technically and economically and which were started prior to 1 January 2006 within the scope of repealed Article 19 of the Income Tax Law numbered 193, could solely be offset against income related to the years 2006, 2007 and 2008, in accordance with the legislation current as of 31 December 2005 (including provisions related to tax rate).

   Within the scope of Temporary Article 69 of the Income Tax Law (for the years of 2006, 2007 and 2008) income tax payers, and corporate taxpayers who are benefiting from investment allowance practice, had calculated their income or corporate tax base related to the aforementioned years by applying to their income for the year in which the allowance was requested the tax rate applicable as of 31 December 2005, and the tax rate of 30% stated in the Article 25 of the annulled Corporate Tax Law No. 5422, respectively.

However, it was no longer possible to benefit from the carried-forward investment allowance amount left unused as of 31 December 2008.In this respect, a lawsuit is filed against the Constitutional Court on the basis that it is against the equality and certainty in taxation which are guaranteed by the Constitution.

According to the decision of the Constitutional Court dated 15 October 2009, the phrase "comprising only the years 2006, 2007 and 2008" in the Provisional Article 69 of the Income Tax Law regarding the investment incentives is revoked. Therefore, the time limitation on the use of unused investment incentives was removed. The decision of the Constitutional Court has been published in the Official Gazette on 8 January 2010. Therefore, the cancellation went into effect with the publishing of the decision of the Constitutional Court at the Official Gazette.

A new arrangement in the application of investment allowance went into effect with the Law No. 6009 Article 5 which is published in Official Gazette No. 27659 dated 1 August 2010. With this new legislation in line with the decision of the Constitutional Court, the utilisation of investment allowances deferred from the year 2005 is not limited for a time period of limitation but limited to 25% of earnings. According to this, the remaining 75% of the earnings is subject to corporate tax at a rate of 20% after the utilisation of investment allowance of tax payers. Depending on this the Company did not paid corporate tax in the 1^{st} and 2^{nd} income tax period.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 16 - TAXATION (Continued)

At the meeting of the Constitutional Court dated 09 February 2012, it was resolved that the clause "However, the amount that will be deducted as investment allowance cannot exceed 25% of the related earning in determination of tax base." which was added to the first paragraph of temporary article 69 of the Income Tax Law through Article 5 of the Law No. 6009 is in violation of the Constitutional Law and that clause should be cancelled. The stay of execution decision by the Constitutional Court has become effective upon promulgation in the Official Gazette No. 28208 dated 18 February 2012.

Deferred taxes:

Under IAS 12, which deals with income taxes, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Based on the decision of the Constitutional Court mentioned above, the Company Management recognized deferred tax assets on the unused investment allowance amounting to TL15,822 which has been calculated based on its best estimates.

Details of cumulative timing differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2013 and 2012 are as follows:

	Cumulative timing differences		Deferred income tax assets	
	2013	**2012**	**2013**	**2012**
Unused investment allowances without stoppage	79,109	72,484	15,822	14,497
Unused investment allowances with stoppage	21,709	20,888	43	42
Provision for impaired receivables	32,210	31,375	6,442	6,275
Provision for personnel unused vacation, bonus provision, and employment termination benefits	1,377	1,145	275	229
Legal provision	1,252	308	250	62
Current period loss	998	-	200	-
Accrued expense on derivative transactions	835	-	167	-
Income accrual on lease receivables	108	61	22	12
Other	133	128	27	25
Deferred income tax assets			**23,248**	**21,142**
Income accrual on lease receivables				
Accrued income on derivative transactions	-	(303)	-	(61)
Difference between carrying value and tax base of property and equipment and intangibles	(410)	(285)	(82)	(56)
Deferred income tax liabilities			**(82)**	**(117)**
Deferred tax assets, net			**23,166**	**21,025**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 17 - OTHER PROVISIONS

	2013	2012
Legal provision	1,252	308
Total	**1,252**	**308**

At 31 December 2013, the Company is involved in number of legal disputes, The Company's lawyer's advice that, owing the developments in some of these cases; it is probable that the company will be found liable. Therefore, the management has recognised a provision as the best estimate of the amount to settle these potential obligations.

NOTE 18 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

	2013	2012
Reserve for employee termination benefits	230	206
	230	**206**

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age . Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL 3,438.22 (full TL) as of 31 December 2013 (2012: TL3,129.25 (full TL)) for each year of service.

The liability is not funded, as there is no funding requirement.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. In the financial statements, the Company reflected a liability calculated using the projected unit credit method and based upon the factors derived using their experience of personnel terminating their services and being eligible to receive employment termination benefits. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

Accordingly the following financial and demographical actuarial assumptions were used in the calculations of the provision:

	2013	2012
Discount rate (%)	2.48	2.48
Turnover rate to estimate the probability of retirement (%)	4.65	4.65

Additionally, the principal actuarial assumption is that the maximum liability of TL3,129.25 (full TL) for each year of service would increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. The maximum liability amount TL 3,438.22 (full TL) (1 January 2013: TL3,129.25 (full TL)) is effective as of 1 January 2013, has been taken into consideration in calculating the reserve for employee benefits of the Company.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 18 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

Movement of the reserve for employment termination benefits for the year is as follows:

	2013	2012
1 January	**206**	**186**
Service cost	23	97
Interest cost	8	9
Reduction and payment	14	-
Monetary loss	-	18
Paid during the year	(21)	(104)
31 December	**230**	**206**

NOTE 19 - SHARE CAPITAL

At 31 December 2013, the Company's authorised share capital consists of 2,846,250,000 shares with a par value of Kuruş1 each (2012: 2,846,250,000 shares with a par value of Kuruş1 each).

As of 31 December 2013 and 2012, the Company's historical subscribed and issued share capital was TL28,463 (historical terms). The composition of shareholders and their respective percentages of ownership can be summarized as follows:

	2013		2012	
	%	Amount	%	Amount
Alternatifbank A.Ş	100	28,463	-	-
Anadolu Endüstri Holding A.Ş.	-	-	95.82	27,273
Other(*)	-	-	4.18	1,190
Total in historical TL	**100**	**28,463**	**100.00**	**28,463**
Restatement effect(*)		(13,523)		(13,523)
		14,940		**14,940**

(*) 400 shares amounting to 4 TL (full TL) belongs to 4 investors.

Each shareholder has voting rights equivalent to their number of shares.

In accordance with the Share Transfer Agreement signed between Anadolu Endüstri Holding A.Ş and Alternatifbank A.Ş. and the Banking Regulation and Supervision Agency's authorization numbered 5558 dated 24 October 2013, Alternatifbank A.Ş. purchased on 8 November 2013, 19 November 2013 and 18 December 2013, 2,727,259,500 shares amounting to 95.8% of total shares from Anadolu Endüstri Holding A.Ş, and 118,990,100 shares from other shareholders. As a result Alternatifbank A.Ş. holds 100% of shares.

NOTE 20 - RETAINED EARNINGS AND LEGAL RESERVES

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Dividends Paid and Proposed:

Final dividends are not accounted for until they have been ratified at the Annual General Meeting.

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 21 - MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
Consultancy expenses	1,117	1,126
Transportation expenses	730	593
Rent expenses	466	411
Sundry taxes	346	146
Office expenses	286	212
Communication expenses	183	151
Representation expenses	121	135
Information technology system expenses	50	84
Printing and stationary expenses	39	37
Other expenses	8	88
Donations	-	111
	3,346	**3,094**

NOTE 22 - SALARIES AND EMPLOYEE BENEFITS

	2013	2012
Wages and salaries	4,849	4,247
Bonuses	1,112	820
Employer's share of social security premiums	566	481
Other fringe benefits	503	457
Provision for employment termination benefits	133	125
	7,163	**6,130**

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by Alternatifbank A.Ş. (the Shareholder Company) which owns 100 % of the Company's shares (In 2012 the company is controlled by Anadolu Endüstri Holding A.Ş. which owns 95.82% of the company’s shares). The ultimate owner of the Company is The Commercial Bank of Qatar (CBQ). For the purpose of these financial statements, the Shareholder Company, and their affiliated companies are referred to as "related parties". Related parties also include individuals that are principal owners, management and members of the Company’s Board of Directors and their families.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

A summary of the major transactions and balances with related parties during the related periods were as follows:

(a) Balances with related parties:

	2013	2012
Due from banks		
Demand deposits		
Alternatifbank A.Ş.	34	1,110
Time deposits		
Alternatifbank A.Ş.	13,496	14,030
	13,530	**15,140**
Investmets in direct finance leases, net		
Anadolu Etap Tarım ve Gıd.Ür.San.Tic. A.Ş.	15,502	9,454
Anadolu Bilişim Hizmetler A.Ş	1,239	-
	16,741	**9,454**
Borrowing		
The Commercial Bank of Qatar	88,877	-
	88,877	**-**
Other liabilities		
Anadolu Endüstri Holding A.Ş.	63	55
Anadolu Motor Üretim ve Paz. A.Ş.	3	3
Efestur Turizm İşletmeleri A.Ş.	5	2
Çelik Motor Ticaret A.Ş	1	-
	72	**60**

(b) Transactions with related parties:

	2013	2012
Interest income from direct finance leases		
Anadolu Etap Tarım ve Gıd.Ür.San.Tic. A.Ş.	786	634
Anadolu Bilişim Hizmetleri A.Ş	110	-
Anadolu Eğitim ve Sos.Yardım Vakfı Sağ.İkts.İşt.	-	28
Alternatifbank A.Ş.	-	10
	896	**672**
Interest income on placements and transactions with banks		
Alternatifbank A.Ş.	583	1,326
	583	**1,326**
Interest expense on funds borrowed		
The Commercial Bank of Qatar	515	-
Alternatifbank A.Ş.	25	2
	540	**2**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2013	2012
Service expenses		
Anadolu Endüstri Holding A.Ş.	637	556
Çelik Motor Ticaret A.Ş.	323	273
Alternatifbank A.Ş.	181	355
Efestur Turizm İşletmeleri A.Ş.	101	52
Anadolu İsuzu Otomotiv San. Tic. A.Ş.	83	126
Anadolu Eğitim ve Sosyal Yardım Vakfı	-	110
Anadolu Bilişim Hizmetleri A.Ş.	11	12
Adel Kalemcilik Tic.San. A.Ş.	3	17
	1,339	**1,501**
Commission expenses		
Alternatifbank A.Ş.	486	547
The Commercial Bank of Qatar	144	-
	630	**547**

(c) Off-balance sheet items

Guarantee letters		
Alternatifbank A.Ş.	6,836	2,597
	6,836	**2,597**
Letters of credits		
Alternatifbank A.Ş.	986	804
	986	**804**
Derivative financial instruments		
Alternatifbank A.Ş.	-	37,506
	-	**37,506**

As of 31 December 2013, the Company has time deposits amounting to USD2,109, EUR3,680 and TL185 at related party bank - Alternatifbank A.Ş. latest maturing on 2 January 2014 with an average interest rate of 2.80%, 2.70% and 7.25% respectively (31 December 2012: USD4,091, EUR2,818 and TL110 at related party bank - Alternatifbank A.Ş. latest maturing on 2 January 2013 with an average interest rate of 2.50% 2.30%, and 6.00% respectively). Also the Company has demand deposits at related party bank (Alternatifbank A.Ş) amounting to USD1 and EUR23 and TL11 (31 December 2012: USD101, EUR186 and TL494).

The Company has made operating lease agreements as lessee for vehicles with related party Çelik Motor Ticaret A.Ş. as of 31 December 2013, total remaining commitment is amounting to TL331 (2012: TL442).

(d) Key Management's Remuneration:

As of 31 December 2013, the executive members and key management personnel of the Company's management received and accrued salaries and bonuses total amounting to TL1,424 (2012: TL1,413).

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 24 - OTHER INCOME / (EXPENSES), NET

	2013	**2012**
Commission income, net	1,310	1,323
Bank charges and commissions	(436)	(185)
Sundry expenses	(637)	1,868
Legal provision	(944)	(132)
Corporate income tax return	-	3,619
Other	(637)	(450)
	(1,344)	**6,043**

Sundry agreement income / (expenses) consists of tax, legal, expertise, translation and other expenses which have been reimbursed by clients.

NOTE 25 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 31 December 2013 and 2012.

TL323 and TL273 of rent expenses were reflected as of 31 December 2013 and 2012 respectively in the income statements due to the operating lease agreement for vehicles.

Future minimum lease payments under operating lease agreements are as follows:

	2013	**2012**
Next 1 year	229	286
1 year through 5 years	102	156
Total	**331**	**442**

Other commitments:

At 31 December 2013, the Company obtained letters of credits and guarantee letters amounting to TL 21,123 (2012: TL9,423) and submitted to various public authorities.

There is no mortgage on the assets that is subject to leasing agreements (2012: none).

NOTE 26 - POST BALANCE SHEET EVENTS

None.

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