

Fibabanka Anonim Őirketi
Financial Statements
As at and for the year ended
31 December 2012
Together with the Independent Auditor's Report

To the Board of Directors of
Fibabanka A.Ş.
İstanbul

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Fibabanka A.Ş. (the "Bank"), which comprise the balance sheet as at 31 December 2012 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2012 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

İstanbul, 25 March 2013



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

INDEX

	Page No.
Balance Sheet	1
Statement of Income	2
Statement of Comprehensive Income	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-59

Fibabanka Anonim Şirketi

Balance Sheet

As at 31 December 2012

(Currency: Thousands of Turkish Lira (TL))

	Notes	31 December 2012	31 December 2011
Assets			
Cash and balances with Central Bank	7	429,812	243,385
Due from banks		55,351	18,903
-Due from banks	8	25,047	18,903
-Money market placements	8	30,304	--
Financial assets at fair value through profit and loss		43,709	54,132
-Debt instruments	9	23,692	36,319
-Derivatives held for trading purpose	9	20,017	17,813
Financial assets available for sale	9	108,733	15,844
Loans and advances to customers	10	3,207,572	2,099,873
Property and equipment	12	16,509	12,123
Intangible assets	13	6,212	6,075
Deferred tax assets	20	6,002	20,248
Other assets	11	13,463	9,014
Total assets		3,887,363	2,479,597
Liabilities			
Derivatives held for trading purpose	9	13,696	16,315
Deposits from banks		149,818	45,547
-Deposits from banks	14	52,571	38,716
-Obligations under repurchase commitments	14	97,247	6,831
Deposits from customers	15	2,636,870	2,011,789
Securities issued	18	222,746	--
Subordinated loans	19	89,693	--
Borrowings from banks	17	308,670	29,756
Other liabilities and provisions	16	48,343	18,446
Total liabilities		3,469,836	2,121,853
Equity			
Share capital	21	446,589	344,939
Capital advance	21	--	101,650
Unrealized gains / (losses) on available-for-sale investments, net of tax	23	324	(1,727)
Accumulated losses	22	(29,386)	(87,118)
Total shareholder's equity		417,527	357,744
Total liabilities and shareholder's equity		3,887,363	2,479,597

The accompanying notes are an integral part of these financial statements.

Fibabanka Anonim Şirketi
Statement of Income
For the year ended 31 December 2012
(Currency: Thousands of Turkish Lira (TL))

	<u>Notes</u>	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
Interest income	26	366,030	176,614
Interest expense	26	(209,831)	(105,351)
Net interest income		156,199	71,263
Fees and commission income	27	9,427	13,072
Fees and commission expenses	27	(2,443)	(1,043)
Net fees and commission income		6,984	12,029
Net trading income	28	9,031	5,782
Other operating income	29	3,044	1,728
		12,075	7,510
Operating income		175,258	90,802
Personnel expenses	30	(57,768)	(34,696)
Depreciation and amortisation	12,13	(6,678)	(5,046)
Impairment reversals /(losses) on loans and advances to customers	10	(10,430)	737
Other expenses	31	(28,917)	(23,351)
Profit before income tax		71,465	28,446
Income tax (charge)	20	(13,733)	(3,102)
Net profit for the year		57,732	25,344

The accompanying notes are an integral part of these financial statements.

Fibabanka Anonim Şirketi
Statement of Comprehensive Income
For the year ended 31 December 2012
(Currency: Thousands of Turkish Lira (TL))

	<u>Notes</u>	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
Profit for the year		57,732	25,344
Other comprehensive income / (expense)			
<i>-Unrealized gains / (losses) on available-for-sale investments, gross</i>		2,564	(2,158)
<i>-Tax effect of unrealized gains / (losses) on available-for-sale investments</i>		(513)	431
Other comprehensive income / (expense) for the year, net of tax	23	2,051	(1,727)
Total comprehensive income for the year		59,783	23,617

The accompanying notes are an integral part of these financial statements.

Fibabanka Anonim Şirketi

Statement of Changes in Equity

For the year ended 31 December 2012

(Currency: Thousands of Turkish Lira (TL))

	Share Capital	Capital Advance	Accumulated losses	Unrealized gains / (losses) on available-for-sale investments	Total
Balances at 1 January 2011	222,474	--	(112,462)	--	110,012
Share capital increase	122,465	--	--	--	122,465
Capital advance (*)	--	101,650	--	--	101,650
Total comprehensive income for the year	--	--	25,344	(1,727)	23,617
Additions to unrealized gains / (losses) on available-for-sale investments, gross	--	--	--	(2,158)	(2,158)
Tax effect of unrealized gains / (losses) on available-for-sale investments	--	--	--	431	431
Net profit for the year	--	--	25,344	--	25,344
Balances at 31 December 2011	344,939	101,650	(87,118)	(1,727)	357,744
Share capital increase	101,650	(101,650)	--	--	--
Total comprehensive income for the year	--	--	57,732	2,051	59,783
Additions to unrealized gains / (losses) or profit on available-for-sale investments, gross	--	--	--	2,564	2,564
Tax effect of unrealized gains / (losses) on available-for-sale investments	--	--	--	(513)	(513)
Net profit for the year	--	--	57,732	--	57,732
Balances at 31 December 2012	446,589	--	(29,386)	324	417,527

(*) As of 20 September 2011, the Bank decided to increase its paid in capital by 41,000,000 Euro in terms of TL equivalent. The first tranche of the related increase was transferred to the Bank on 10 October 2011 as 52,250 TL; the second tranche was transferred on 1 December 2011 as 49,400 TL. As of 31 December 2011, such capital payments are accounted for under the "Capital advance". Following the approval of the Banking Regulation and Supervision Agency, the extraordinary General Assembly was held on 26 January 2012 and the increase in paid in capital was registered. Accordingly, the Bank's share capital has increased to 446,589 TL, including reserves regarding inflation effect and gain on sale fixed asset.

The accompanying notes are an integral part of these financial statements.

Fibabanka Anonim Şirketi
Statement of Cash Flows
For the year ended 31 December 2012
(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January- 31 December 2012	1 January- 31 December 2011
Net profit/(loss) for the year		57,732	25,344
<i>Adjustments for:</i>			
Depreciation of property and equipment	12	3,393	3,360
Amortization of intangible assets	13	3,285	1,686
Impairment losses on loans and advances	10	10,430	(737)
Unearned revenue		3,876	1,609
Gain on sale of non-performing loans	27	--	(519)
Expense accruals/ (reversals) net		(1,032)	1,247
Employment termination benefits	16	597	426
Unused vacation pay provision		2,523	131
Other provisions (net)		(1,724)	171
Bonus accrual provision /(reversal)		2,500	--
Unrealized gains on financial assets/liabilities		(15,761)	(34,364)
Deferred tax (charge)/benefit	18	13,733	3,102
Gain on sale of assets held for sale and tangible assets (net)		(824)	(399)
Operating profit before changes in operating assets/liabilities		78,728	1,057
<i>Changes in operating assets and liabilities:</i>			
Net increase in balances with banks and central bank		(156,511)	(80,049)
Net decrease in financial assets at fair value through profit & loss		17,921	57,791
Net increase in loans		(1,119,501)	(1,459,772)
Disposal of non-current assets held for sale		9,422	1,857
Net decrease/(increase) in other assets		(4,797)	818
Net increase in deposits		637,449	1,284,024
Net increase in other taxes & liabilities		29,807	10,881
Employment termination benefits paid	16	(510)	(429)
Unused vacations paid		(145)	--
Bonuses paid		(2,151)	--
Net cash used in operating activities		(510,288)	(183,822)
<i>Cash flow from investing activities:</i>			
Purchase of available-for-sale securities		(146,957)	(52,181)
Proceeds from sale of available-for-sale securities		55,721	34,451
Purchase of premises & equipment	12	(7,779)	(8,615)
Sale of premises & equipment		--	320
Purchase of intangible assets	13	(3,422)	(5,717)
Net cash used in investing activities		(102,437)	(31,742)
<i>Cash flow from financing activities:</i>			
Proceeds from borrowing funding loans (net)		588,669	27,063
Proceeds from capital increase		--	122,465
Proceeds from capital advance		--	101,650
Net cash provided by financing activities		588,669	251,178
Net (decrease)/increase in cash & cash equivalents		(24,056)	35,614
Cash & cash equivalents at the beginning of the year	7	125,027	78,193
Foreign exchange effect on cash and cash equivalents		(493)	11,220
Cash & cash equivalents at the end of the year	7	100,478	125,027

The accompanying notes are an integral part of these financial statements.

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

1 Reporting Entity

On 21 December 2001, Share Transfer Agreement was signed with Novabank S.A. for the sale of all shares of Sitebank A.Ş. under the control of the Savings Deposit Insurance Fund (“SDIF”) and the sale transaction was approved by the decision of the Banking Regulation and Supervision Agency (“BRSA”) No: 596 on 16 January 2002.

In the General Assembly held on 4 March 2003, the name of Sitebank A.Ş. was amended as BankEuropa Bankası A.Ş..

In the extraordinary General Assembly held on 28 November 2006, the name of Bank Europa Bankası A.Ş. was amended as Millennium Bank A.Ş.

On 10 February 2010, Banco Comercial Portugues S.A. and Credit Europe Bank N.V., which is an affiliate of Fiba Group, signed a share purchase agreement to transfer 95% of the Bank’s shares to Credit Europe Bank N.V. and the legal approval process has been completed as of 27 December 2010. Credit Europe Bank N.V. is 100% owned by Credit Europe Group N.V. which is a banking group incorporated in Netherlands and an affiliate of Fiba Holding A.Ş.

In the extraordinary General Assembly held on 25 April 2011 the name of Millennium Bank A.Ş. has been amended as Fibabanka A.Ş. (“the Bank”).

The Bank’s share capital which was TL 344,939 as of 31 December 2011 was increased to TL 446,589 and registered on 26 January 2012 after the Extraordinary General Meeting held on 26 January 2012 following the approval of BRSA; increase of TL 101,650 was paid by the shareholders within the last quarter of year 2011 but accounted for under “Sundry Creditors” account as the BRSA approval procedures were not yet completed as of 31 December 2011. After the capital increase, the share of Credit Europe Bank N.V. which was 96.9% increased to 97.6% and the share of Banco Comercial Portugues S.A decreased to 2.4% from 3.1%.

As of 31 December 2012, Fiba Holding A.Ş. became the ultimate parent of the Bank after acquiring 97.6% of the shares from Credit Europe Bank N.V. on 3 December 2012 and 2.4% of the shares from Banco Comercial Portugues S.A. on 7 December 2012.

As of 31 December 2012, the Bank’s capital is TL 446,589 (including reserves regarding inflation effect and gain on sale fixed asset in addition to statutory paid in capital of TL 426,650). As of 31 December 2012 the number of issued shares of the Bank is 42,665,010,000 with a TL 0.01 (full TL) nominal value per share.

As of 31 December 2012, the Bank has 28 branches and its head office is located at the following address: Emirhan Cad. Barbaros Plaza İş Merkezi No: 113 Dikilitaş/Beşiktaş İstanbul.

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

2 Application of New and Revised International Financial Reporting Standards (IFRSs)

(a) New and Revised IFRSs Affecting Presentation and Disclosure Only

None.

(b) New and Revised IFRSs Applied with no Material Effect on the Financial Statements

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

Amendments to IAS 12 Deferred Taxes – Recovery of Underlying Assets

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

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

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

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

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

2 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in Issue but not yet Effective

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

Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income¹</i>
Amendments to IAS 1	<i>Clarification of the Requirements for Comparative Information²</i>
IFRS 9	<i>Financial Instruments⁵</i>
IFRS 10	<i>Consolidated Financial Statements³</i>
IFRS 11	<i>Joint Arrangements³</i>
IFRS 12	<i>Disclosure of Interests in Other Entities³</i>
IFRS 13	<i>Fair Value Measurement³</i>
Amendments to IFRS 7	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities³</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures⁵</i>
Amendments to IFRS 10, IFRS 11 and IFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide³</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits³</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements³</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures³</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities⁴</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1³</i>

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012.

³ Effective for annual periods beginning on or after 1 January 2013.

⁴ Effective for annual periods beginning on or after 1 January 2014.

⁵ Effective for annual periods beginning on or after 1 January 2015.

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

2 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in Issue but not yet Effective (continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

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

Amendments to IAS 1 Presentation of Financial Statements

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

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

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

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

2 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in Issue but not yet Effective (continued)

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

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

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

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

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

2 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in Issue but not yet Effective (continued)

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

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

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

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. As the Bank does not issue consolidated financial statements, application of these five standards may not have an impact on amounts reported.

IFRS 13 Fair Value Measurement

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

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

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

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

2 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in Issue but not yet Effective (continued)

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

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

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

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

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

IAS 19 Employee Benefits

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

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

2 Application of New and Revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in Issue but not yet Effective (continued)

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

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

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

Amendments to IAS 16

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

Amendments to IAS 32

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

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies

(a) Statement of Compliance

The Bank maintains its books of accounts and prepare its statutory financial statements in Turkish Lira (TL) in accordance with the Accounting Practice Regulations as promulgated by BRSA; the Turkish Commercial Code; and the Turkish Tax Legislation (collectively, Turkish GAAP).

The accompanying financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards (“IFRS”). The accompanying financial statements are authorized for issue by the directors on 25 March 2013.

(b) Basis of Preparation

The accompanying financial statements are presented in thousands of TL, which is the Bank’s functional currency.

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

The accounting policies set out below have been applied consistently by the Bank to all periods presented in these financial statements.

(c) Functional and Presentation Currency

These financial statements are presented in TL, which is the Bank’s functional currency. All financial information presented in TL has been rounded to the nearest thousand.

(d) Use of Estimates and Judgments

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

In preparing these financial statements, the significant judgments made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2011.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the effect on the amounts recognised in the financial statements are described in notes 3.f to 3.t.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(e) Reclassification of Comparative Information

If the presentation or classification of the financial statements is changed in the current year, in order to maintain consistency, financial statements of prior years are also reclassified in line with the related changes.

(f) Foreign Currency Translation

The financial statements of the Bank are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the accompanying financial statements, the results and financial position of the Bank is expressed in Turkish Lira, which is the functional currency of the Bank, and the presentation currency for the accompanying financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Bank enters into forward contracts, swaps and options (see below for details of the Bank's accounting policies in respect of such derivative financial instruments).

As at 31 December 2012 and 31 December 2011 foreign currency assets and liabilities of the Bank are mainly in US Dollar, Euro and CHF. Foreign currency translation rates used by the Bank as of respective year-ends are as follows:

	EUR / TL	USD / TL	CHF / TL
31 December 2011	2.4438	1.8889	2.0062
31 December 2012	2.3517	1.7826	1.9430

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(g) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Vehicles	5 years
Furniture, fixtures and office equipment and others	4-50 years
Leasehold improvements	Lease period

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

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognized in the income statement. There is no impairment recorded related to premises and equipment.

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

(h) Intangible Assets

Intangible assets acquired are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. There is no impairment recorded related to intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The Bank amortizes intangible assets with a finite life on a straight-line basis over the estimated useful lives of 3 to 10 years. There are no intangible assets with indefinite useful lives.

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

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(j) Financial Instruments

(j.1) Financial Assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value. The Bank determines the classification of its financial assets at initial recognition.

The Bank recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost; change in value is not recognized.

Financial Assets at Fair Value through Profit or Loss

Financial assets classified as held-for-trading are included in this category. Trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held-for-trading are recognized in income.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. The Bank does not have any financial asset classified as held to maturity.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Except for loans and advances designated as hedged item in qualifying hedging relationships and carried at fair value, such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and receivables is reported as interest income.

Fibabanka Anonim Şirketi

*Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))*

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Available-For-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity until the investment is derecognized, or until the investment is determined to be impaired, at the time the cumulative gain or loss previously reported in equity is included in the income statement. However, interest calculated on available-for-sale financial assets using effective interest method is reported as interest income.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not an indicator of the fair value of the instrument, fair value is determined by reference to the current market value of substantially the same instrument, by recent arm's length transactions, by discounted cash flow analysis or through other valuation techniques commonly used. As of 31 December 2012, total amount of financial assets available for sale is TL 108,733 (31 December 2011: TL 15,844), of which TL 108,227 comprises of private bank and corporate bonds denominated in foreign currencies with maturity more than 1 year (31 December 2011: TL 15,830).

Impairment of Financial Assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost

In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of loans and individual loans. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Impairment of Financial Assets (continued)

Assets Carried at Amortized Cost (continued)

- Significant financial difficulty of the issuer or the obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- - It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured based on the difference between the asset's carrying amount and the estimated recoverable amount, determined by the net present value of the expected future cash flows discounted at the loan's original effective interest rate. The estimated recoverable amount of a collateralized financial asset is measured based on the amount that is expected to be realized from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the income statement.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Impairment of Financial Assets (continued)

Assets Carried at Amortized Cost (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Banks of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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

Assets Carried at Cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its recoverable amount.

Assets Carried at Fair Value

Available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Impairment losses recognized in the income statement on equity instruments classified as available for sale are not reversed through income statement.

Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Derecognition of Financial Assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(j.2) Financial Liabilities

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

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in 'other gains/losses' line in the statement of comprehensive income.

Other Financial Liabilities

Other financial liabilities, including borrowings and deposits, are initially measured at fair value, net of transaction costs.

All deposits and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Derecognition of Financial Liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.3) Off- Balance Sheet Commitments and Contingencies

The Bank deals with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, pre-financing loans, etc. The Bank's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

(j.4) Derivative Financial Instruments

Derivatives Held for Trading

The Bank's derivative transactions mainly consist of foreign currency swaps, foreign currency options and forward foreign currency contracts. The Bank does not have any embedded derivatives separated from the host contract.

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", forward foreign currency purchase/sale contracts, swaps and options are classified as "hedging purpose" and "trading purpose" transactions. Derivatives are initially recognized at cost including the transaction costs. Also, the assets and liabilities arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts. The derivative transactions held for trading are valued at fair-value using market prices or pricing models subsequent to initial recognition and are presented in "derivatives held for trading purpose". Gains and losses arising from a change in the fair value are recognized in the income statement.

Derivatives and Hedge Accounting

The Bank applied fair value hedging until November 30, 2010, which principally consisted of interest rate swaps that are used to hedge changes in the fair value of fixed-rate loans and advances to customers due to changes in market interest rates.

The Bank discontinues hedge accounting when it is determined that: a derivative is not, or has ceased to be, highly effective as a hedge; when the derivative expires, or is sold, terminated, or exercised; when the hedged item matures or is sold or repaid; or when a forecast transaction is no longer deemed highly probable. The fair value differences on loans calculated till the cease date of hedging has been started to be amortized. As of 31 December 2012, the remaining fair value difference on loans related to discontinued hedge accounting is TL 9,369 (31 December 2011: TL 14,726).

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.5) Netting of Financial Assets and Liabilities

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

(k) Fair Value Considerations

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

Various financial instruments are accounted for at fair value. Other financial instruments are accounted at amortized cost but disclosure is required of fair value for comparison purposes, wherever practicable.

Due to economic conditions and volatility or low trading volumes in markets, the Bank may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparisons with similar financial instruments that do have active markets. As there are wide ranges of valuation techniques, it may be inappropriate to compare the Bank's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would not differ significantly from market rates.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.

Securities investments: Fair value is estimated using quoted market prices wherever applicable.

Derivatives: Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and the fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Bank uses that technique. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency swap transactions are determined by comparing forward rates with contractual forward rates discounted to the balance sheet date with the current market rates. The resulting gain or loss is reflected to the income statement. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and repricing date are used.

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(k) Fair Value Considerations (continued)

Loans and Receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and receivables is reported as interest income.

Management believes that the risk factors embedded in the initial interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

Deposits: Estimated fair value of demand deposits, saving deposits and interbank deposits is the amount payable on demand at the reporting date.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

(l) Non-current Assets Held for Sale

Certain non-current assets primarily related to the collateral collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Bank) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(m) Employee Benefits

Employee Termination Benefits

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such defined benefit plan is unfunded since there is no funding requirement in Turkey. In calculating the related liability to be recorded in the financial statements for this defined benefit plan, the Bank makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc.

The principal actuarial assumptions used at 31 December 2012 and 31 December 2011 are as follows;

	31 December 2012	31 December 2011
	%	%
Discount rate	7.0	10.0
Inflation rate	5.0	5.1

Actuarial gains and losses are recognized in the statement of operations in the year they occur.

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 31 December 2012 was TL 3,129.25 (full basis) (31 December 2011: TL 2,917.27 (full basis)).

Other Contributions

The Bank pays contributions to Social Security Funds on a mandatory basis. There are no other liabilities related to employee benefits to be provisioned.

(n) Provisions

Provisions are recognized when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(o) Leases

The Bank as Lessee

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of branch and head office premises, which are cancellable subject to a period of notice. Related payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

(p) Income and Expense Recognition

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, throughout the period to the next repricing date. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties in the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees and custody service fees that are continuously provided over an extended period of time are recognized ratably over the period service is provided.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

Net trading income comprises gains minus losses related to financial assets and liabilities held for trading and includes all realised and unrealised fair value changes and foreign exchange differences.

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

3 Significant Accounting Policies (continued)

(r) Income Tax

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

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred Tax

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

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

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

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

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

(s) Subsequent Events

Post-balance sheet events that provide additional information about the Bank's position at the balance sheet dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

(t) Segment Reporting

A segment is a distinguishable component of the Bank that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components.

4 Segment Reporting

Segment information is presented in respect of the Bank's business segments. The Bank comprises the Retail and Commercial Banking and Treasury as main business segments.

Major financial statement items according to business lines:

	<u>Treasury</u>	<u>Retail Banking*</u>	<u>Commercial Banking*</u>	<u>Other*</u>	<u>Total</u>
31 December 2012					
Operating income	13,629	21,464	119,332	20,833	175,258
Profit before tax	12,150	2,955	73,053	(16,693)	71,465
Tax charge					(13,733)
Net profit					57,732
Segment assets	354,065	266,393	2,925,537	299,180	3,845,175
Unallocated assets					42,188
Total assets					3,887,363
Segment liabilities	549,628	1,571,841	1,029,404	270,625	3,421,498
Unallocated liabilities					48,338
Equity					417,527
Total liabilities and equity					3,887,363

	<u>Treasury</u>	<u>Other</u>	<u>Total</u>
31 December 2011			
Operating income	3,394	87,408	90,802
Loss before tax	2,673	25,773	28,446
Tax benefit			(3,102)
Net loss			25,344
Segment assets	105,542	2,326,595	2,432,137
Unallocated assets			47,460
Total assets			2,479,597
Segment liabilities	62,050	2,041,357	2,103,407
Unallocated liabilities			18,446
Equity			357,744
Total liabilities and equity			2,479,597

*Starting from March 2012, the Bank reports the operations of Retail and Commercial Banking segments separately which were included in "Other" segment in the year 2011. The information prior to that date is included in "Other" segment and not presented separately in 2011 due to unavailability.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management

(a) Introduction and Overview

The Bank has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risks
- Operational Risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. Risk Committee of the Bank is responsible for developing and monitoring Bank risk management policies in their specified areas. All board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its directives, procedures and regular trainings aims to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

The Bank Audit Committee is responsible to monitor the efficiency and adequacy of the Bank's Internal Control Systems framework on behalf of the Board of Directors. The Bank Audit Committee is assisted in these functions by Risk Management, Internal Control, Legislation & Compliance and Internal Audit departments.

(b) Credit Risk

Credit risk is the risk of financial loss of the Bank if a customer or counterparty fails to meet its contractual obligations to a financial instrument, among the Bank's corporate, retail or bank loan portfolio. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure such as individual risk, counterparty risk, group risk as well as country & sector risks.

The Bank's counterparty credit exposure at the balance sheet date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet.

The risk that counterparties to trading instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank only deals with counterparties which have good credit worthiness. .

The Bank has defined rating models, and validation standards in order to estimate, identify measure, monitor, dispose, reduce and manage the credit risk. These standards have been developed to determine the quality of credit customers in line with the Bank's credit policy. Credit risk reports and concentration & risk limits concerning the Bank's loan portfolio are reviewed periodically by the Risk Management Department.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

Collateral policy

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

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

31 December 2012			
Cash Loans	Performing	Non-Performing (*)	Total
Secured loans:	3,176,865	9,538	3,186,403
Secured by cash collateral	91,736	--	91,736
Secured by mortgages	1,116,511	6,998	1,123,509
Secured by government institutions or government securities	--	--	--
Other collateral (pledge on assets, vehicle, corporate and personal guarantees, promissory notes)	1,968,618	2,540	1,971,158
Unsecured loans	19,474	20,010	39,484
Total Cash Loans	3,196,339	29,548	3,225,887

(*) The loan balance excludes allowance for loan losses.

31 December 2011			
Cash Loans	Performing	Non-Performing	Total
Secured loans:	2,063,810	15,863	2,079,673
Secured by cash collateral	50,918	--	50,918
Secured by mortgages	703,787	11,851	715,638
Secured by government institutions or government securities	24	--	24
Other collateral (pledge on assets, vehicle, corporate and personal guarantees, promissory notes)	1,309,081	4,012	1,313,093
Unsecured loans	27,805	505	28,310
Total Cash Loans	2,091,615	16,368	2,107,983

The breakdown of non-cash loans by type of collateral is as follows:

Non-Cash Loans	31 December 2012	31 December 2011
Secured loans:	293,058	216,236
Secured by cash collateral	11,679	1,838
Secured by mortgages	18,966	21,158
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	262,413	193,240
Unsecured loans:	14,551	12,140
Total Non-Cash Loans	307,609	228,376

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

Collateral policy (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below (*):

	31 December 2012	31 December 2011
Car	161,184	76,720
Cash and bank deposits	104,118	54,125
Mortgage	2,049,120	1,516,580
Other	1,341,834	631,545
Total	3,656,256	2,278,970

(*) The fair value of the collateral is not capped with the respective outstanding loan balance.

Sectoral concentration of loans and advances to customers

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of performing loans and advances to customers is shown below:

	31 December 2012	31 December 2011
Retail	236,957	270,448
Manufacturing	937,477	678,874
Service	1,336,049	762,071
Construction	461,620	289,794
Agriculture and stockbreeding	66,473	35,119
Other	157,763	55,309
Total performing loans and advances to customers	3,196,339	2,091,615

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the financial statements;

Gross maximum exposure	31 December 2012	31 December 2011
Balances with Central Banks (including reserve deposits)(*)	409,357	227,281
Deposits with and loans due from banks and other financial institutions	55,351	18,903
Financial assets at fair value through profit and loss	43,709	54,132
Financial assets available for sale	108,733	15,844
Loans and receivables	3,207,572	2,099,873
Total	3,824,722	2,416,033
Contingent liabilities	307,609	228,376
Commitments	257,728	62,018
Total	565,338	290,394
Total credit risk exposure	4,390,058	2,706,427

(*)Balances with Central Banks (including reserve deposits) excludes cash in TL /foreign currency amount.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

Credit quality of loans and receivables as of 31 December 2012 and 2011 are as follows;

	Neither past due nor impaired	Past due but not impaired	Individually impaired (gross)	Total
31 December 2012				
Loans and receivables				
Commercial	2,936,750	25,275	27,351	2,989,376
Consumer	220,754	13,025	2,131	235,910
Credit Cards	535	--	66	601
Total	3,158,039	38,300	29,548	3,225,887

	Neither past due nor impaired	Past due but not impaired	Individually impaired (gross)	Total
31 December 2011				
Loans and receivables				
Commercial	1,814,826	6,341	13,944	1,835,111
Consumer	230,704	39,255	2,393	272,352
Credit Cards	482	7	31	520
Total	2,046,012	45,603	16,368	2,107,983

Carrying amount per class of loans and receivables assets whose terms have been renegotiated:

	31 December 2012	31 December 2011
Loans and receivables		
Commercial	29,484	12,272
Consumer	4,157	4,942
Total	33,641	17,214

Aging analysis of past due but not impaired loans per class of financial instruments:

31 December 2012	Less than 31 days	31-60 days	61-90 days	Total
Loans and receivables				
Commercial	10,140	4,390	10,745	25,275
Consumer	1,506	8,148	3,371	13,025
Total	11,646	12,538	14,116	38,300

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

31 December 2011	Less than 31 days	31-60 days	61-90 days	Total
Loans and receivables				
Commercial	5,054	925	362	6,341
Consumer	27,649	8,463	3,150	39,262
Total	32,703	9,388	3,512	45,603

(c) Liquidity Risk

Liquidity risk reflects the potential inability both to finance assets over appropriate times to maturity and at suitable rates and to liquidate portfolio positions at the proper time and at reasonable prices.

The Bank maintains liquidity facilities with Central Bank of Turkey and other banks that are available immediately when needed. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Liquidity risk is continuously assessed by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy.

The table below shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the above table represents the contractual undiscounted cash flows relating to the principal and interest on the financial liability. The disclosure for derivatives shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement.

31 December 2012	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
<i>Non-derivative liabilities</i>								
Deposits from banks	149,818	149,878	18,600	131,278	--	--	--	--
Deposits from customers	2,636,870	2,660,916	174,022	1,300,775	884,763	301,213	143	--
Borrowings from banks	308,670	322,413	--	3,296	60,844	161,504	96,769	--
Securities issued	222,746	242,680	--	--	2,210	131,679	108,791	--
Subordinated loans	89,693	152,387	--	--	--	6,326	25,320	120,741
	3,407,797	3,528,274	192,622	1,435,349	947,817	600,722	231,023	120,741
<i>Derivative liabilities</i>								
Held for trading	13,696	15,561	--	4,531	2,432	8,598	--	--
	13,696	15,561	--	4,531	2,432	8,598	--	--
Total	3,421,493	3,543,835	192,622	1,439,880	950,249	609,320	231,023	120,741

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(c) Liquidity Risk (continued)

31 December 2011	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
<i>Non-derivative liabilities</i>								
Deposits from banks	45,547	45,615	751	41,062	3,802	--	--	--
Deposits from customers	2,011,789	2,046,157	106,954	906,601	736,407	296,195	--	--
Borrowings from banks	29,756	30,179	--	7,459	20,401	2,319	--	--
	2,087,092	2,121,951	107,705	955,122	760,610	298,514	--	--
<i>Derivative liabilities</i>								
Held for trading	16,315	20,712	--	6,016	5,030	6,123	3,543	--
	16,315	20,712	--	6,016	5,030	6,123	3,543	--
Total	2,103,407	2,142,663	107,705	961,138	765,640	304,637	3,543	--

Maturity analysis of balance sheet items is as follows:

As at 31 December 2012	Demand	Up to 1 Month	1 to 3 Months	3 months to 1 year	Over 1 year	Unallocated	Total
Assets:							
Cash and balances with the Central bank	146,272	283,540	--	--	--	--	429,812
Deposits with and loans due from banks and other financial institutions	25,047	30,304	--	--	--	--	55,351
Financial assets at fair value through profit and loss	--	7,187	10,332	9,144	17,046	--	43,709
Available-for-sale financial assets	--	--	--	506	108,227	--	108,733
Loans and receivables	--	400,257	453,920	1,490,355	851,807	11,233	3,207,572
Other assets	--	--	--	--	--	42,186	42,186
Total assets	171,319	721,288	464,252	1,500,005	977,080	53,419	3,887,363
Liabilities:							
Deposits from other banks	18,600	131,218	--	--	--	--	149,818
Customers' deposits	174,022	1,296,866	874,650	291,201	131	--	2,636,870
Financial liabilities at fair value through profit and loss	--	2,853	2,367	8,476	--	--	13,696
Funds borrowed	--	2,860	60,143	155,613	90,054	--	308,670
Securities issued	--	--	1,345	121,401	100,000	--	222,746
Subordinated loans	--	--	563	--	89,130	--	89,693
Other liabilities and equity	--	12,905	2,370	8,476	--	442,119	465,870
Total liabilities	192,622	1,446,702	941,438	585,167	279,315	442,119	3,887,363
Net liquidity gap	(21,303)	(725,414)	(477,186)	914,838	697,765	(388,700)	--
As at 31 December 2011							
Total assets	136,410	770,181	321,915	532,580	662,779	55,732	2,479,597
Total liabilities	107,705	953,863	750,076	284,508	10,237	373,208	2,479,597
Net liquidity gap	28,705	(183,682)	(428,161)	248,072	652,542	(317,476)	--

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(d) Market Risk

In order to provide hedge against the market risk within the context of the risk management objectives, the Bank set its activities related with market risk management in accordance with “Regulations on Banks’ Internal Control and Risk Management Systems” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette no. 28337 dated 28 June 2012.

Being exposed to market risk, Bank’s Board of Directors has defined risk management strategies and policies about risk managements in line with application and recommendation of group and have led to follow-up strategies periodically. The limits of risks are identified and these limits are revised periodically. Board of Directors ensures that risk management group and executive managers should identify, measure, control and manage the Bank’s risk.

Market risk arising from trading transactions is limited through the risk appetite policy approved by Board of Directors as “low” and measured by taking into consideration BRSA’s standard methodology. Additionally Financial Control Department reports the market value of daily purchases and sales and realized profit. The risk management and asset liability committee continuously monitor compliance of trading transactions with the risk appetite policy. Measurements can be done with online connection of the treasury front office in real time. Market risk occurred between mismatches of asset-liability maturity is also monitored through GAP report.

Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations. Risk measurement methods such as cash flow projection, GAP analysis are also applied.

Capital to be kept for general market risk and specific risk are calculated by using a standard method in accordance with “Measurement and Assessment of Bank Capital Adequacy Regulation” and reported monthly.

In the calculation of the value at credit risk for the derivative financial instruments, the receivables from counterparties are multiplied by the rates stated in the Article 21 and Appendix-2 of “the Regulation on Measurement and Assessment of Capital Adequacy of Banks”, reduced as per the “Regulation on Credit Risk Mitigation Techniques” and then included in the relevant exposure category and weighted for a second time. The risk amount related to the Bank’s derivative financial instruments are calculated using the “Fair Value Method”.

(i) Interest Rate Risk

“Interest rate risk” is the probability of loss due to changes in interest rates depending on the Bank’s position regarding the interest bearing financial instruments. Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, changes in correlation of interest rates between different financial instruments and unexpected changes in the shape and slope of yield curves. Exposure to interest rate movements arises when there is a mismatch between rate sensitive assets and liabilities.

Within the scope of Asset and Liability Management Policy, Bank’s assets and liabilities are re-priced according to the remaining maturities and determined interest rate shocks’ effect on the net economic value is calculated.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(d) Market Risk (continued)

(i) Interest Rate Risk

With the interest rate risk reports and stress tests on the interest rate risk of the Bank, willing to relocate risk levels are tested due to the sensitivity of the risk levels in the presence of crisis scenarios and keeping them under control is provided.

Interest rate gap analysis

The following tables indicate the periods in which financial assets and liabilities are repriced as at 31 December 2012 and 31 December 2011;

2012:	Less than three months	Between three and twelve months	Over one year	Non- interest bearing	Total
Financial assets					
Cash and balances with Central Bank	--	--	--	429,812	429,812
Due from banks	30,304	--	--	25,047	55,351
Financial assets at FVTPL	31,884	8,834	2,991	--	43,709
Financial assets available for sale	506	--	108,227	--	108,733
Loans and advances to customers (*)	1,491,772	537,656	1,166,911	--	3,196,339
Financial liabilities					
Derivatives held for trading	5,220	8,476	--	--	13,696
Deposits from banks	131,218	--	--	18,600	149,818
Deposits from customers	2,171,516	291,201	131	174,022	2,636,870
Borrowings from banks	204,442	102,902	1,326	--	308,670
Securities issued	101,345	121,401	--	--	222,746
Subordinated loans	--	--	89,693	--	89,693

(*) The loan balance excludes non-performing loans (net)

2011:	Less than three months	Between three and twelve months	Over one year	Non- interest bearing	Total
Financial assets					
Cash and balances with Central Bank	--	--	--	243,385	243,385
Due from banks	--	--	--	18,903	18,903
Financial assets at FVTPL	21,209	6,999	25,924	--	54,132
Financial assets available for sale	--	--	15,830	14	15,844
Loans and advances to customers (*)	1,037,950	460,289	593,376	--	2,091,615
Financial liabilities					
Derivatives held for trading	1,414	11,664	3,237	--	16,315
Deposits from banks	44,796	--	--	751	45,547
Deposits from customers	1,627,269	277,566	--	106,954	2,011,789
Borrowings from banks	27,480	2,276	--	--	29,756

(*) The loan balance excludes non-performing loans (net)

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(d) Market Risk (continued)

(i) Interest Rate Risk

The following table indicates the interest rates by major currencies for the major balance sheet components as at 31 December 2012 and 31 December 2011:

	EUR %	USD %	Other Currencies %	TL %
<u>31 December 2012</u>				
Cash and balances with the Central Bank	--	--	--	--
Financial assets at FVTPL	4.53	5.06	--	10.37
Financial assets available for sale	--	4.52	--	12.19
Loans and advances to banks	--	0.55	--	--
Loans and advances to customers	7.63	7.13	6.10	13.68
Deposits from banks	--	1.80	--	5.50
Borrowing from banks	3.53	4.11	--	8.23
Deposits from customers	3.11	3.54	1.21	8.82
Securities issued	--	--	--	7.88
Subordinated debt	--	7.00	--	--
<u>31 December 2011</u>				
Cash and balances with the Central Bank	--	--	--	--
Financial assets at FVTPL	4.95	6.19	--	10.74
Financial assets available for sale	--	9.58	--	--
Loans and advances to banks	--	--	--	--
Loans and advances to customers	7.67	7.20	6.12	15.96
Deposits from banks	0.74	3.93	--	10.50
Borrowing from banks	3.69	3.22	--	7.55
Deposits from customers	4.17	4.23	1.28	11.53

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Bank's sensitivity to a 100 basis points (bps) increase or decrease in market interest rates shows that, when other variables kept constant, an increase in interest rates by 1% leads to decrease in net interest income ("NII") by TL 6,918 (31 December 2011: 1% increase in interest rates affects NII negatively by TL 4,045), on the other hand, a decrease in interest rates by 1% leads to increase in net interest income by TL 6,950 (31 December 2011: 1% decrease in interest rates affects NII positively by TL 3,774) When interest rates are decreased by 1%, interest rates which go below 0% are assumed as 0%.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(d) Market Risk (continued)

(ii) Currency Risk

The Bank is exposed to currency risk through transactions in foreign currencies. The main measurement currencies of its foreign exchange operations are Euro and USD. As the currency in which the Bank presents its financial statements is the Turkish Lira (TL), the financial statements are affected by movements in the exchange rates between these currencies and TL. Currency risk is managed through VaR limits.

At 31 December 2012 and 31 December 2011, the Bank's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	EUR	USD	CHF	Other	Total in 2012	Total in 2011
<i>Foreign currency denominated assets:</i>						
Cash and balances with Central Bank	143,275	194,000	377	446	338,098	165,682
Due from banks	2,138	39,189	675	13,314	55,316	18,781
Financial assets at FVTPL	967	1,715	--	--	2,682	11,130
Financial assets available for sale	--	108,227	--	--	108,227	15,844
Loans and advances to customers	580,544	744,101	135,413	--	1,460,058	1,158,490
Other assets	351	139	--	--	490	188
	727,275	1,087,371	136,465	13,760	1,964,871	1,370,115
<i>Foreign currency denominated liabilities:</i>						
Deposits from banks	5,133	127,052	--	5,814	137,999	32,581
Borrowings from banks	203,958	97,822	--	--	301,780	28,641
Deposits from customers	279,506	806,787	1,094	18,700	1,106,087	499,421
Subordinated loans	--	89,693	--	--	89,693	--
Other liabilities	1,079	1,477	--	--	2,556	4,794
	489,676	1,122,831	1,094	24,514	1,638,115	565,437
Net on-balance sheet position	237,599	(35,460)	135,371	(10,754)	326,756	804,678
Net off-balance sheet position	(235,573)	41,881	(137,800)	6,396	(325,096)	(810,004)
Net position	2,026	6,421	(2,429)	(4,358)	1,660	(5,326)

A 10 percent strengthening of the foreign currencies against TL would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the foreign currencies against TL would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

	31 December 2012		31 December 2011	
	Profit or Loss	Equity	Profit or Loss	Equity
USD	609	33	(165)	(216)
EUR	203	--	(24)	--
CHF	(243)	--	(149)	--
Other currencies	(436)	--	21	--
Total, net	133	33	(317)	(216)

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(e) Operational Risk

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

The Bank practices policies in accordance with local regulations and in the context of best international practices for operational risk identification, measurement, mitigation, reporting and control of international best practices in the context of implementing.

Under the umbrella of operational risk, business continuity policies and procedures have been created. Business impact analysis has been made to ensure process based business continuity, critical activities of the institution and necessary resources to carry out these activities have been identified. Creation of infrastructure for the implementation of the plans is in progress through business continuity plans.

(f) Capital Adequacy

The BRSA sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements the BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets (12% for banks operating in offshore markets). These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, translation reserve and minority interest after deductions for goodwill and certain cost items.
- Tier 2 capital, which includes qualifying subordinated liabilities, general impairment allowances and the element of the fair value reserve relating to unrealized gains on securities classified as available-for-sale.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period and its capital adequacy ratio calculated in accordance with local regulations is above the minimum required ratio which is 8%.

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

5 Financial Risk Management (continued)

(f) Capital Adequacy (continued)

Starting from 1 July 2012, the capital adequacy ratio is calculated within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”)", “Regulation on Credit Risk Mitigation Techniques” and “Regulation on Calculation of Risk Weighted Amounts for Securitization’s” published in the Official Gazette no.28337 dated 28 June 2012 and the “Regulation on Equities of Banks” published in the Official Gazette no.26333 dated 1 November 2006. In calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as “trading book” and “banking book” according to the Regulation. The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortization or impairment, are taken into account on a net basis after being reduced by the related amortizations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables”. The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the “Regulation on Credit Risk Mitigation Techniques” and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

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

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

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

6 Fair Value of Financial Instruments

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

	Financial instruments at fair value	Loans and receivables	Financial instruments at amortized cost	Total carrying amount	Fair value
31 December 2012					
Cash and balances with the Central Bank	--	429,812	--	429,812	429,812
Due from banks	--	55,351	--	55,351	55,351
Financial assets at FVTPL	43,709	--	--	43,709	43,709
Financial assets available for sale	108,227	--	506	108,733	108,733
Loans and advances to customers:	--	--	--	--	--
Measured at fair value	--	--	--	--	--
Measured at amortized cost	--	3,207,572	--	3,207,572	3,233,643
	151,936	3,692,735	506	3,845,177	3,871,248
Derivatives held for trading	13,696	--	--	13,696	13,696
Deposits from banks	--	--	149,818	149,818	149,818
Borrowings from financial institutions	--	--	308,670	308,670	308,652
Deposits from customers	--	--	2,636,870	2,636,870	2,636,870
Securities issued	--	--	222,746	222,746	222,746
Subordinated debt	--	--	89,693	89,693	89,693
	13,696	--	3,407,797	3,421,493	3,421,475
31 December 2011					
Cash and balances with the Central Bank	--	243,385	--	243,385	243,385
Due from banks	--	18,903	--	18,903	18,903
Financial assets at FVTPL	54,132	--	--	54,132	54,132
Financial assets available for sale	15,830	--	14	15,844	15,844
Loans and advances to customers:	--	--	--	--	--
Measured at fair value	--	--	--	--	--
Measured at amortized cost	--	2,099,873	--	2,099,873	2,093,745
	69,962	2,362,161	14	2,432,137	2,426,009
Derivatives held for trading	16,315	--	--	16,315	16,315
Deposits from banks	--	--	45,547	45,547	45,547
Borrowings from financial institutions	--	--	29,756	29,756	29,756
Deposits from customers	--	--	2,011,789	2,011,789	2,011,789
	16,315	--	2,087,092	2,103,407	2,103,407

Fair values of the financial assets and liabilities carried at amortized cost, except for loans and advances to customers, are considered to approximate their respective carrying values due to their short-term nature.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

6 Fair Value of Financial Instruments (continued)

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives.

	31 December 2012			31 December 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Financial assets at fair value through profit and loss	23,692	20,017	--	36,319	17,813	--
Financial assets available for sale	108,227	506	--	15,830	--	--
Financial Liabilities						
Derivatives held for trading	--	13,696	--	--	16,315	--

There is no transition between Level 1 and Level 2 in the current year.

7 Cash and Balances with Central Bank

At 31 December 2012 and 31 December 2011, cash and balances with Central Bank are as follows:

	31 December 2012	31 December 2011
Cash on hand	20,455	16,104
Reserve deposits at the Central Bank-free	125,817	101,402
Reserve deposits at the Central Bank-restricted	283,540	125,879
Cash and balances with the Central Bank	429,812	243,385
Due from other banks	55,351	18,903
Less: Reserve deposits-restricted	(283,540)	(125,879)
Less: Blocked deposits	(3,894)	(4,555)
Less: Obligations under repurchase commitments	(97,247)	(6,831)
Less: Interest income/expense accruals (net)	(4)	4
Cash and cash equivalents in the statements of cash flows	100,478	125,027

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

7 Cash and Balances with Central Bank (continued)

Reserve deposits at Central Bank represent the minimum cash reserve maintained with the Central Bank of Turkey (the Central Bank), as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the Central Bank. At 31 December 2012, reserve deposit ratios for Turkish Lira and foreign currency deposits are 5%-11% and 6%-11.5% (31 December 2011: 5% - 11% and 9%-11%). Restricted reserve deposits are not available for the daily business of the Bank. As at 31 December 2012, interest rate for reserve deposits is nil for TL (31 December 2011: 0%).

8 Due from Banks

At 31 December 2012 and 31 December 2011, due from banks are as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Turkish Lira	35	122
Foreign Currency	25,012	18,781
Demand	<u>25,047</u>	<u>18,903</u>
Turkish Lira	--	--
Foreign Currency	--	--
Time	<u>--</u>	<u>--</u>
Turkish Lira	--	--
Foreign Currency	30,304	--
Money market placements	<u>30,304</u>	<u>--</u>
Total due from banks	<u>55,351</u>	<u>18,903</u>

As at 31 December 2012, foreign currency placement has 3 days maturity and 0.55% interest rate (31 December 2011: There is no time deposit due from banks). The Bank has TL 3,894 blocked deposit accounts for the derivative contracts with the banks abroad (31 December 2011: TL 4,555).

9 Financial Assets and Liabilities

a) Financial Assets

Financial Assets at FVTPL

At 31 December 2012 and 31 December 2011, financial asset at FVTPL are as follows:

	<u>31 December 2012</u>			<u>31 December 2011</u>		
	<u>Pledged</u>	<u>Non-pledged</u>	<u>Total</u>	<u>Pledged</u>	<u>Non-pledged</u>	<u>Total</u>
Debt instruments	17,912	5,780	23,692	13,504	22,815	36,319
Government bonds	17,912	3,098	21,010	13,504	12,634	26,138
Eurobonds	--	2,636	2,636	--	1,744	1,744
Corporate and bank bonds	--	46	46	--	8,437	8,437
Derivatives held for trading purpose	--	20,017	20,017	--	17,813	17,813
-Forwards	--	1,836	1,836	--	1,691	1,691
-Cross currency and interest rate swaps	--	--	--	--	163	163
-Currency swaps	--	15,686	15,686	--	14,875	14,875
- Options	--	2,495	2,495	--	1,084	1,084
Total financial assets at FVTPL	<u>17,912</u>	<u>25,797</u>	<u>43,709</u>	<u>13,504</u>	<u>40,628</u>	<u>54,132</u>

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

9 Financial Assets and Liabilities (continued)

a) Financial Assets (continued)

Financial Assets at FVTPL (continued)

As of 31 December 2012, government securities with carrying values of TL 7,505 (31 December 2011: TL 6,605) are pledged to the Central Bank and the IMKB Takas ve Saklama Bankası Anonim Şirketi (İstanbul Stock Exchange Clearing and Custody Incorporation) for regulatory requirements and as a guarantee for stock exchange and money market operations. TL 10,407 of the pledged trading assets presented in the table above are those financial assets that may be repledged or resold by counterparties (31 December 2011: TL 6,899).

TL 14,521 (31 December 2011: TL 12,278) of debt securities have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

Average interest rates for TL, EUR and USD denominated financial assets at FVTPL are 10.37%, 4.53% and 5.06% respectively (31 December 2011: 10.74%, 4.95% and 6.19% respectively).

Financial Assets Available For Sale

	31 December 2012	31 December 2011
Debt instruments		
Corporate and bank bonds	108,733	15,830
Equity instruments	--	14
Total financial assets available for sale	108,733	15,844

TL 506 (31 December 2011: None) of available for sale debt securities have floating interest rates, whereas TL 108,227 (31 December 2011: TL 15,844) of available debt securities have fixed interest rates.

Average interest rates for TL and USD denominated financial assets available for sale are 12.19% and 4.52% respectively (31 December 2011: None and 9.58% respectively)

b) Financial Liabilities at FVTPL

At 31 December 2012 and 31 December 2011, derivative liabilities held for trading are as follows:

	31 December 2012	31 December 2011
Derivatives held for trading		
- Forwards	4,128	--
- Foreign currency swaps	6,989	644
- Cross currency and interest rate swaps	--	15,671
- Options	2,579	--
Total financial liabilities at FVTPL	13,696	16,315

Fibabanka Anonim Şirketi*Notes to financial statements as at**and for the year ended 31 December 2012**(Currency-Thousands of Turkish Lira (TL))***10 Loans and Advances to Customers**

At 31 December 2012 and 31 December 2011, loans and advances to customers are as follows:

	31 December 2012	31 December 2011
Consumer loans and individual credit cards		
<i>Consumer loans-TL</i>		
Housing loans	14,302	21,798
Vehicle loans	1,273	992
General purpose loans	62,478	20,784
Others	--	--
<i>Consumer loans-FC Indexed</i>		
Housing loans	151,719	219,845
Vehicle loans	--	9
General purpose loans	5,775	8,509
<i>Individual credit cards-TL</i>		
With installment	--	--
Without installment	529	461
<i>Individual credit cards-FC</i>		
With installment	--	--
Without installment	5	26
<i>Personnel loans</i>		
General purpose loans	486	318
<i>Overdraft account-TL</i>	389	309
	236,956	273,051
Commercial loans and corporate credit cards		
<i>Commercial loans with installments-TL</i>		
Housing loans	2,845	66
Vehicle loans	3,969	3,250
General purpose loans	407,098	108,955
Others	--	--
<i>Commercial loans with installments-FC</i>		
Housing loans	6,765	10,817
Vehicle loans	6,038	1,379
General purpose loans	114,771	152,639
Others	--	--
<i>Corporate credit cards-TL</i>		
With installment	--	--
Without installment	1	2
<i>Overdraft accounts-TL</i>	10,191	4,106
<i>Spot loans</i>	641,029	416,722
<i>Revolving loans</i>	771,288	389,286
<i>Investment loans</i>	32,863	349,760
<i>Export loans</i>	202,335	171,275
<i>Other loans</i>	770,523	216,764
	2,969,716	1,825,021
<i>Unearned commission income</i>	(10,333)	(6,457)
<i>Total performing loans</i>	3,196,339	2,091,615
<i>Overdue loans</i>	29,548	16,368
Total gross loans	3,225,887	2,107,983
Allowance for loan losses	(18,315)	(8,110)
Loans and advances to customers	3,207,572	2,099,873

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

10 Loans and Advances to Customers (continued)

Movement in the allowance for specific and collective loan losses for the years 2012 and 2011 is as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Balance at 1 January	8,110	12,513
Write-off	(225)	(3,666)
Charge /(reversal) for the year	<u>10,430</u>	<u>(737)</u>
Balance at 31 December	<u>18,315</u>	<u>8,110</u>

The sources of the allowance for the year on loans and advances to customers are as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Specific allowance/(reversal)	8,061	(1,224)
Collective allowance/(reversal)	<u>2,369</u>	<u>487</u>
Total	<u>10,430</u>	<u>(737)</u>

11 Other Assets

At 31 December 2012 and 31 December 2011, other assets comprised the following items:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Non-current assets held for sale (*)	6,393	6,871
Prepaid rent	1,218	781
Investment funds receivables	--	157
Prepaid commission	3,198	--
Advances given	240	--
Cash guarantees given	349	110
Cheque books	105	126
Other	<u>1,960</u>	<u>969</u>
	<u>13,463</u>	<u>9,014</u>

(*) Certain non-current assets primarily related to the collaterals collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Movement of non-current assets held for sale is as follows:

	<u>2012</u>	<u>2011</u>
Opening balance, 1 January	6,871	1,883
Additions	8,120	6,508
Disposal	<u>(8,598)</u>	<u>(1,520)</u>
Balance at 31 December	<u>6,393</u>	<u>6,871</u>

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

12 Property and Equipment

Movement in property and equipment during the year ended 31 December 2012 is as follows:

	<u>Furniture, fixture and equipment</u>
Balance at 1 January 2012:	
Cost	28,452
Accumulated depreciation	(16,329)
Opening net book amount	12,123
Additions	7,779
Disposals (net)	--
Depreciation charge	(3,393)
Balance at 31 December 2012:	<u>16,509</u>

Movement in property and equipment during the year ended 31 December 2011 is as follows:

	<u>Furniture, fixture and equipment</u>
Balance at 1 January 2011:	
Cost	22,306
Accumulated depreciation	(15,180)
Opening net book amount	7,126
Additions	8,615
Disposals (net)	(258)
Depreciation charge	(3,360)
Balance at 31 December 2011:	<u>12,123</u>

13 Intangible Assets

Movement in intangible assets during the year ended 31 December 2012 is as follows:

	<u>Software</u>	<u>Other</u>	<u>Carrying Value</u>
Balance at 1 January 2012:			
Cost	28,146	5,949	34,095
Accumulated amortization	(22,293)	(5,727)	(28,020)
Opening net book amount	5,853	222	6,075
Additions	3,418	4	3,422
Disposals	--	--	--
Amortization charge	(3,227)	(58)	(3,285)
Balance at 31 December 2012:	<u>6,044</u>	<u>168</u>	<u>6,212</u>

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

13 Intangible Assets (continued)

Movement in intangible assets during the year ended 31 December 2011 is as follows:

	<u>Software</u>	<u>Other</u>	<u>Carrying Value</u>
Balance at 1 January 2011:			
Cost	22,797	5,572	28,369
Accumulated amortization	(20,785)	(5,540)	(26,325)
Opening net book amount	2,012	32	2,044
Additions	5,486	231	5,717
Disposals	--	--	--
Amortization charge	(1,645)	(41)	(1,686)
Balance at 31 December 2011:	5,853	222	6,075

14 Deposits from Banks

At 31 December 2012 and 31 December 2011, deposits from banks comprised the following items:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Time deposits in FC	33,971	32,079
Time deposits in TL	--	5,886
Obligations under repurchase commitments from banks in FC	86,806	--
Obligations under repurchase commitments from banks in TL	10,441	6,831
Demand deposits in TL	17,222	502
Demand deposits in FC	1,378	249
	149,818	45,547

At 31 December 2012, foreign currency denominated term deposits mature in 20 days (31 December 2011: 12 days). Interest rates on term deposits are 2.25 % (31 December 2011: between 0.40% and 5.00%).

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

14 Deposits from Banks (continued)

At 31 December 2012, obligations provided under repurchase agreements mature in 3 days (31 December 2011: 4 days) with interest rates 2.05 % (31 December 2011: 5.75%).

15 Deposits from Customers

At 31 December 2012 and 31 December 2011, deposits from customers comprised the following items:

	31 December 2012			31 December 2011		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	92,013	1,937,900	2,029,913	71,255	1,404,083	1,475,338
FC Deposits	84,570	1,020,509	1,105,079	66,053	433,368	499,421
TL Deposits	7,443	917,391	924,834	5,202	970,715	975,917
Commercial deposits	80,920	468,758	549,678	35,461	500,752	536,213
Non-commercial institutions' deposit	81	56,190	56,271	238	--	238
Precious metals	1,008	--	1,008	--	--	--
Total deposits from customers	174,022	2,462,848	2,636,870	106,954	1,904,835	2,011,789

At 31 December 2012, interest rates on term deposits in TL range between 2.0% and 12.50% (31 December 2011: 4.25% and 12.80%), interest rates on term deposits in EUR range between 0.25% and 7% (31 December 2011: between 0.40% and 5.4%), interest rates on term deposits in USD range between 0.25% and 4.75% (31 December 2011: between 0.25% and 5.50%), interest rates on term deposits in CHF range between 0.50% and 2.50% (31 December 2011: between 0.75% and 1.50%) and interest rates on term deposits in GBP range between 0.75% and 4% (31 December 2010: between 0.25% and 4%).

16 Other Liabilities and Provisions

At 31 December 2012 and 31 December 2011, other liabilities comprised of the following items:

	31 December 2012	31 December 2011
Taxes and duties withheld	10,052	6,012
Check clearance account	22,844	3,808
Unused vacation pay liability and personnel bonus accrual	4,123	1,687
Payables to consultants and suppliers	521	1,465
Payment transfer orders	--	1,399
Blocked cheques	1,950	1,310
Blocked accounts	4,564	--
Promissory notes	434	--
Other	2,508	1,469
Other liabilities	46,996	17,150
Provision for lawsuits	937	973
Employee termination benefits	410	323
Provisions	1,347	1,296
Total	48,343	18,446

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

16 Other liabilities and provisions (continued)

Employee Termination Benefits

In accordance with existing social legislation, the Bank is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 3,129.25 (full TL) and TL 2,917.27 (full TL) at 31 December 2012 and 2011, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination.

The principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Discount rate	7.0 %	10.0 %
Expected rate of inflation	5.0 %	5.1 %

Movements in the present value of the employee termination benefits in the current year were as follows:

	<u>2012</u>	<u>2011</u>
Opening, 1 January	323	326
Current service cost	581	407
Interest cost	16	19
Benefits paid	(510)	(429)
Closing, 31 December	<u>410</u>	<u>323</u>

17 Borrowings from Banks

Borrowings from banks as of 31 December 2012 and 2011 comprised the following items:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Borrowing from Banks		
Turkish Lira	6,890	1,115
Foreign Currency	301,780	28,641
	<u>308,670</u>	<u>29,756</u>

The Bank has obtained borrowing in the amount of USD 30 million from International Finance Corporation (IFC) and EUR 15 million from European Fund for Southeast Europe (EFSE) with a maturity of five years for the financing of commercial / small and medium sized entities and woman entrepreneurs.

In addition, the Bank provided EUR 45 million and USD 20 million syndication loan in two tranches from international banks with a maturity of 1 year.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

18 Securities Issued

TL	31 December 2012	
	Short Term	Medium and Long Term
Nominal	125,000	100,000
Cost	120,782	100,000
Carrying Amount	121,401	101,345

The Bank issued financing bonds and bills during the year 2012. TL 50,000 nominal was issued on 14 November 2012 and TL 75,000 nominal was issued on 21 December 2012. In addition to bills, the Bank issued a bond with a maturity of 720 days and quarterly coupon payment in the amount of TL 100,000 nominal on 7 November 2012.

19 Subordinated Loans

	31 December 2012	
	TL	FC
Domestic Banks	--	--
Domestic Other Institutions	--	89,693
Foreign Banks	--	--
Foreign Other Institutions	--	--
Total	--	89,693

The Bank acquired subordinated loan from its parent company, Fiba Holding A.Ş., amounting to USD 50 million. Maturity of relevant loan is 10 years, with a repayment option in the 5th year. The loan has 6 month periods for interest payment, with principal repayment at the maturity.

20 Taxation

The Bank is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Corporation tax is computed on the statutory income tax base determined in accordance with Tax Procedural Law. Corporate tax rate is 20%.

Turkish tax legislation provides for a temporary tax to be calculated and paid based on earnings generated for each quarter. The temporary tax rate used in determining the temporary tax is 20%. The temporary taxes paid quarterly are offset against the final tax liability for the year. The final corporation tax, after deducting the quarterly payments, becomes due and is paid in one installment by 30 April.

In Turkey, the Tax Procedural Law does not provide a procedure for final agreement of tax assessments. Tax returns are required to be filed within the fourth month following the balance sheet date. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred.

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

20 Taxation (continued)

For the years ended 31 December 2012 and 2011, taxation credit comprised the following:

	<u>2012</u>	<u>2011</u>
Current tax charge	--	--
Deferred tax benefit	(13,733)	(3,102)
Total	<u>(13,733)</u>	<u>(3,102)</u>

The Bank utilized the carry forward tax losses of TL 75,221 for the temporary corporate tax calculations in the current year.

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to loss from operations before provision for taxes on income as shown in the following reconciliation:

	<u>2012</u>	<u>2011</u>
Profit before income tax	71,465	28,446
At statutory income tax rate	(14,293)	(5,689)
Nondeductible expenses	(139)	(304)
Other tax exempt income	162	95
Utilization of previously unrecognized tax losses	--	1,739
Other temporary differences	537	1,057
Taxation	<u>(13,733)</u>	<u>(3,102)</u>

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

20 Taxation (continued)

Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2012 and 31 December 2011 are attributable to the items detailed in the table below:

	31 December 2012	31 December 2011
<i>Deferred tax assets</i>		
Tax losses carried forward	6,034	21,078
Loan commissions	2,360	1,291
Allowance for loan losses	735	664
Provision for vacation pay	325	337
Reserve for employee termination benefits	82	65
Others	825	442
<i>Total deferred tax assets</i>	<u>10,361</u>	<u>23,877</u>
<i>Deferred tax liabilities</i>		
Fair value of loans and advances to customers	322	607
Derivatives held for trading purposes	2,816	2,636
Others	1,221	386
<i>Total deferred tax liabilities</i>	<u>4,359</u>	<u>3,629</u>
Net deferred tax assets	<u>6,002</u>	<u>20,248</u>

As at 31 December 2012 and 31 December 2011, the breakdown of the tax losses carried forward in terms of their final years of utilization is as follows:

	31 December 2012	31 December 2011
Expiry years of the tax losses carried forward		
2013	--	62,944
2014	7,560	19,837
2015	22,608	22,608
	<u>30,168</u>	<u>105,389</u>

The movement of deferred tax asset is as follows:

	2012	2011
Balance at the beginning of the period	<u>20,248</u>	<u>22,919</u>
Deferred tax charged to income statement	(13,733)	(3,102)
Deferred tax recognised under equity	(513)	431
Balance at the end of the period	<u>6,002</u>	<u>20,248</u>

Fibabanka Anonim Şirketi

Notes to financial statements as at

and for the year ended 31 December 2012

(Currency-Thousands of Turkish Lira (TL))

21 Share Capital and Capital Advance

On 10 February 2010, Banco Commercial Portugues S.A. and Credit Europe Bank N.V., which is an affiliate of Fiba Group, signed a share purchase agreement to transfer 95% of the Bank's shares to Credit Europe Bank N.V. and the legal approval process has been completed as of 27 December 2010. Credit Europe Bank N.V. is 100% owned by Credit Europe Group N.V. which is a banking group incorporated in Netherlands and an affiliate of Fiba Holding A.Ş.

The Bank's paid in capital; which was TL 325.000 as of 31 December 2011; was increased to TL 426.650 and registered on 26 January 2012 after the Extraordinary General Meeting held on 26 January 2012 following the approval of BRSA; increase of TL 101.650 was paid by the shareholders within the last quarter of year 2011 but accounted for under "Sundry Creditors" account as the BRSA approval procedures were not yet completed as of 31 December 2011. After the capital increase, the share of Credit Europe Bank N.V. which was 96.9% increased to 97.6% and the share of Banco Comercial Portugues S.A decreased to 2.4% from 3.1%. The shares composing 97.6% of share capital which are owned by Credit Europe Bank N.V. are bought on 3 December 2012 and the shares composing 2.4% of share capital which are owned by Banco Commercial Portugues S.A. are bought on 7 December 2012 by Fiba Holding A.Ş.

At 31 December 2012, the inflation restatement effect of paid in capital is TL 19,939 (31 December 2011: TL 19,939).

22 Accumulated Losses

At 31 December 2012 and 2011, accumulated losses are TL 29,386 and TL 87,118, respectively which include gain on sale of building amounting to TL 9,502 which will be kept in a special fund account under equity for tax compliance purposes for five years as part of tax exemption and accumulated carry forward losses of prior years'.

23 Unrealized Losses on Available-For-Sale Investments, Net of Tax

At 31 December 2012, unrealized gain on available-for-sale investments is TL 406 (31 December 2011: TL (2,158)). The tax effect of unrealized gain on available-for-sale investments is TL (82) (31 December 2011: TL 431), and the net unrealized gain amount is TL 324 (31 December 2011: (1,727)).

24 Commitments and Contingent Liabilities

24.1 Letters of guarantee and credit

As at 31 December 2012, the Bank is contingently liable for letters of guarantee and credit given amounting to TL 307,609 (31 December 2011: TL 228,376).

24.2 Other commitments

	31 December 2012	31 December 2011
Tax and Fund liabilities from export commitments	1,640	--
Commitments for credit card expenditure limits	3,664	4,861
Commitments for credit card and retail banking promotions	74	80
Payment commitments for cheques	37,693	19,425
Irrevocable credit facilities	214,154	37,652
Other irrevocable commitments	503	--
Total	257,728	62,018

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

24 Commitments and Contingent Liabilities (continued)

24.3 Derivative contracts

Commitments for purchase of foreign currencies under option, forward and swap contracts at 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
	Purchase	Purchase
Spot buy-sell commitments	82,560	246,570
Swap agreements for trading purposes	1,046,717	1,527,396
Forward agreements for trading purposes	349,303	210,726
Options	605,849	227,187
	<u>2,084,429</u>	<u>2,211,879</u>

Maturity analysis of derivative instruments is as follows:

<u>31 December 2012</u>	<u>Up to 1 month</u>	<u>1 to 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
Cross currency swaps	--	--	--	--	--	--
Forward and swap exchange contracts	1,003,849	218,384	162,507	93,840	--	1,478,580
Options	402,737	106,604	60,048	36,460	--	605,849
Total	<u>1,406,586</u>	<u>324,988</u>	<u>222,555</u>	<u>130,300</u>	<u>--</u>	<u>2,084,429</u>
					<u>Over 1 year</u>	
<u>31 December 2011</u>	<u>Up to 1 month</u>	<u>1 to 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
Cross currency swaps	--	373,413	190,983	--	--	564,396
Forward and swap exchange contracts	1,109,752	85,908	142,883	81,753	--	1,420,296
Options	177,272	41,511	8,404	--	--	227,187
Total	<u>1,287,024</u>	<u>500,832</u>	<u>342,270</u>	<u>81,753</u>	<u>--</u>	<u>2,211,879</u>

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

25 Related Parties

For the purpose of this report, the Bank's ultimate parent company, Fiba Holding A.Ş. and all its subsidiaries, and the ultimate owners, directors and executive officers of Fibabanka A.Ş. are referred to as related parties. During the course of the business, the Bank has made placements with and also received deposits from them at various terms.

(a) Transactions with direct related parties

	<u>2012</u>	<u>2011</u>
Interest income	--	10
Interest expense	2,396	1,235
Net trading expense	--	--
Non cash loan commission income	1	3

(b) Balances with direct related parties

	<u>31 December 2012</u>	<u>31 December 2011</u>
Cash loans from related parties	--	6,161
Non cash loans to related parties	--	9,702
Deposits from related parties	2,644	2
Subordinated debt	89,693	--

(c) Transactions with other related parties

	<u>2012</u>	<u>2011</u>
Interest income	28,454	--
Interest expense	3,416	1,975
Net trading income	1,513	1,147
Non cash loan commission income	34	--

(d) Balances with other related parties

	<u>31 December 2012</u>	<u>31 December 2011</u>
Cash loans from related parties	31,845	3,696
Non cash loans to related parties	4,959	1,817
Deposits from related parties	119,992	95,201
Fund borrowings from related parties	59,197	--

(e) Derivative transactions with direct related parties

	<u>31 December 2012</u>	<u>31 December 2011</u>
	<u>Purchase(*)</u>	<u>Purchase(*)</u>
Swap agreements for trading purposes	--	--
Forward agreements for trading purposes	535	546
Total	535	546

() Stated in notional amounts*

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

25 Related Parties (continued)

(f) *Derivative transactions with other related parties*

	31 December 2012	31 December 2011
	Purchase(*)	Purchase(*)
Swap agreements for trading purposes	84,050	79,041
Forward agreements for trading purposes	828	714
Total	84,878	79,755

(*) *Stated in notional amounts*

(g) *Remuneration and benefits of key management*

The key management and the members of the Board of Directors received remuneration and fees totaling TL 3,528 for the year ended 31 December 2012 (31 December 2011: TL 2,250).

26 Net Interest Income

	2012	2011
Interest income		
Loans and advances to customers	330,701	161,681
Due from banks	865	3,556
Derivative assets	30,505	7,952
Debt instruments	3,868	3,422
Others	91	3
	366,030	176,614
Interest expense		
Deposits from banks and customers	182,158	84,072
Saving deposits insurance	1,461	1,591
Fund borrowed	12,550	13,523
Derivative liabilities	3,929	5,558
Obligations under repurchase agreements	775	407
Securities issued	8,948	--
Other	10	200
	209,831	105,351
Net interest income	156,199	71,263

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

27 Fees and Commission Income and Expenses

	2012	2011
Transfer commissions	1,019	794
Insurance commissions	858	764
Account maintenance fees	837	624
Asset management fees (*)	807	1,221
Project commissions (**)	722	6,994
Commissions from non-cash loans	3,040	2,168
Appraisal fees	1,204	196
Others	940	311
Fees and commission income	9,427	13,072

(*)Asset management fees relate to fees earned by the Bank on investment funds.

(**) Project commission fees relate to fees earned by the Bank through loan intermediary services between the customers and credit institutions.

	2012	2011
Payment and transaction fees	(406)	(268)
Credit card fees	(287)	(377)
Commissions for borrowings	(329)	--
Commissions for debt issued	(400)	--
Commissions to correspondent banks	(549)	(233)
Other	(472)	(165)
Fees and commission expense	(2,443)	(1,043)

28 Net Trading Income

	2012	2011
Gains on derivative transactions	6,957	3,914
Foreign exchange gains /(losses)	(4,082)	1,300
Gain on debt instruments, net	6,156	568
	9,031	5,782

29 Other Operating Income

	2012	2011
Reversal of litigation provision	263	--
Gain on sale of non-current assets held for sale and tangible assets	824	593
Gain on sale of non-performing loans	--	519
Communication income	538	184
Promissory notes fee	343	--
Others	1,076	432
	3,044	1,728

Fibabanka Anonim Şirketi
Notes to financial statements as at
and for the year ended 31 December 2012
(Currency-Thousands of Turkish Lira (TL))

30 Personnel Expenses

	2012	2011
Wages and salaries	42,470	24,464
Social security premiums	6,123	3,914
Employee health insurance expenses	1,353	1,001
Termination and vacation pay expenses	790	2,313
Bonus provision	2,500	--
Others	4,532	3,004
	57,768	34,696

31 Other Expenses

	2012	2011
Rent expenses	10,646	7,838
Information technology expenses	2,208	3,018
Telecommunication expenses	2,332	1,744
Taxes other than on income	4,033	2,276
Consultancy expenses	1,742	1,106
Transportation expenses	1,541	1,220
Electricity expenses	842	578
Cleaning expenses	981	696
Office supplies	525	554
Maintenance expenses	332	351
Advertisement expenses	258	1,288
Others	3,477	2,682
	28,917	23,351

32 Subsequent Events

According to the Board of Directors' resolution taken on 25 February 2013, it is decided to increase paid in capital by TL 96,432 as cash and TL 26,918 from reserves. After the legal procedures are completed, capital increase will be finalized and share capital will increase to TL 550,000.