



## **Fiba Faktoring Anonim Şirketi**

(formerly “Fiba Faktoring Hizmetleri  
Anonim Şirketi”)

Financial Statements  
As at 31 December 2012  
With Independent Auditors’ Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

28 February 2013

*This report includes 1 page of independent  
auditors’ report and 38 pages of financial  
statements together with their explanatory notes.*

# **Fiba Faktoring Anonim Şirketi**

## Table of Contents

Independent Auditors' Report  
Statement of Financial Position  
Statement of Comprehensive Income  
Statement of Changes in Equity  
Statement of Cash Flows  
Notes to the Financial Statements



**Akis Bağımsız Denetim ve Serbest  
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## Independent auditors' report

To the Board of Directors of  
Fiba Faktoring Anonim Şirketi

We have audited the accompanying financial statements of Fiba Faktoring Anonim Şirketi ("the Company") which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statements*

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

### *Auditors' 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 give a true and fair view of the financial position of Fiba Faktoring Anonim Şirketi as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

28 February 2013  
İstanbul, Turkey

*KPMG Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.*

## Fiba Faktoring Anonim Şirketi

### Statement of Financial Position

As at 31 December 2012

(Currency: Turkish Lira ("TL"))

	Notes	2012	2011
<b>Assets</b>			
Cash and cash equivalents	10	120,679,934	111,165,354
Factoring receivables	11	726,888,763	627,451,587
Investment securities	12	713,989	714,488
Property and equipment	13	4,202,423	4,371,495
Intangible assets	14	278,585	278,397
Assets held for sale	15	3,065,000	767,600
Other assets	16	1,130,472	752,912
Derivative financial instruments	20	5,370,625	3,059,540
Deferred tax assets	8	173,699	3,176,844
<b>Total assets</b>		<b>862,503,490</b>	<b>751,738,217</b>
<b>Liabilities</b>			
Loans and borrowings	17	572,221,845	512,638,990
Securities issued	18	95,224,435	--
Factoring payables	11	331,241	205,485
Other liabilities	19	1,661,883	2,134,351
Derivative financial instruments	20	2,379,838	16,808,814
Taxes payable on income	8	1,473,593	2,748,877
Employee benefits	21	1,328,880	968,457
<b>Total liabilities</b>		<b>674,621,715</b>	<b>535,504,974</b>
<b>Equity</b>			
Share capital	22	50,459,601	44,378,194
Legal reserves	22	15,565,974	10,625,548
Retained earnings		121,856,200	161,229,501
<b>Total equity</b>		<b>187,881,775</b>	<b>216,233,243</b>
<b>Total liabilities and equity</b>		<b>862,503,490</b>	<b>751,738,217</b>

The notes on pages 5 to 38 are an integral part of these financial statements.

# Fiba Faktoring Anonim Şirketi

Statement of Comprehensive Income  
For the Year Ended 31 December 2012  
(Currency: Turkish Lira ("TL"))

	Notes	2012	2011
<b>Interest income</b>			
Interest income on factoring receivables		104,299,514	98,644,553
Interest income on cash and cash equivalents		1,188,101	3,473,504
<b>Total interest income</b>		<b>105,487,615</b>	<b>102,118,057</b>
<b>Interest expense</b>			
Interest expense on loans and borrowings		(45,457,444)	(49,933,006)
Interest expense on securities issued		(1,114,435)	-
<b>Total interest expense</b>		<b>(46,571,879)</b>	<b>(49,933,006)</b>
<b>Net interest income</b>		<b>58,915,736</b>	<b>52,185,051</b>
<b>Fee and commission income</b>			
Fee and commission income on factoring transactions		6,578,124	6,971,926
Fee and commission expense on factoring transactions		(403,940)	(506,517)
Other commission expenses, net		(241,537)	(496,112)
<b>Net fee and commission income</b>		<b>5,932,647</b>	<b>5,969,297</b>
<b>Other operating income</b>			
Net trading gain/(loss)	9	20,678,348	(6,594,088)
Foreign exchange gains/(losses), net		4,047,042	(17,373,941)
Dividend income	25	83,961	160
Gain on sale of investment securities	12	-	3,525,124
Other operating income		151,148	151,828
		<b>24,960,499</b>	<b>(20,290,917)</b>
<b>Operating income</b>		<b>89,808,882</b>	<b>37,863,431</b>
<b>Other operating expenses</b>			
Net impairment loss on financial assets	11	(20,207,950)	(1,869,683)
Share of profit of equity accounted investees	12	-	1,520,942
Personnel expenses	5	(15,410,726)	(13,358,059)
Administrative expenses	6	(5,794,404)	(4,982,160)
Depreciation and amortisation	13,14	(394,913)	(443,916)
Other expenses	7	(22,923,407)	(858,326)
<b>Profit before income taxes</b>		<b>25,077,482</b>	<b>17,872,229</b>
Income tax expense	8	(8,965,118)	(4,644,821)
<b>Net profit for the period</b>		<b>16,112,364</b>	<b>13,227,408</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the period, net of income tax		-	-
<b>Total comprehensive income for the period</b>		<b>16,112,364</b>	<b>13,227,408</b>

The notes on pages 5 to 38 are an integral part of these financial statements.

## Fiba Faktoring Anonim Şirketi

Statement of Changes in Equity  
For the Year Ended 31 December 2012  
(Currency: Turkish Lira ("TL"))

	Notes	Share capital	Legal reserves	Retained earnings	Total Equity
<b>Balances at 1 January 2011</b>		44,378,194	10,625,548	148,002,093	203,005,835
<i>Total comprehensive income for the period:</i>					
Profit		-	-	13,227,408	13,227,408
Other comprehensive income		-	-	-	-
		-	-	13,227,408	13,227,408
<i>Transactions with owners, recorded directly in equity</i>					
<b>Balances at 31 December 2011</b>	22	44,378,194	10,625,548	161,229,501	216,233,243
<b>Balances at 1 January 2012</b>		44,378,194	10,625,548	161,229,501	216,233,243
<i>Total comprehensive income for the period:</i>					
Profit		-	-	16,112,364	16,112,364
Transfer to legal reserves		-	4,940,426	(4,940,426)	-
Total comprehensive income for the period		-	4,940,426	11,171,938	16,112,364
<i>Transactions with owners, recorded directly in equity:</i>					
Dividends	22	-	-	(44,463,832)	(44,463,832)
Transfers to share capital	22	6,081,407	-	(6,081,407)	-
Total transactions with owners recorded directly in equity		6,081,407	-	(50,545,239)	(44,463,832)
<b>Balances at 31 December 2012</b>	22	50,459,601	15,565,974	121,856,200	187,881,775

The notes on pages 5 to 38 are an integral part of these financial statements.

# Fiba Faktoring Anonim Şirketi

## Statement of Cash Flows

For the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

	Notes	2012	2011
<b>Cash flows from operating activities:</b>			
Net profit for the year		16,112,364	13,227,408
<b>Adjustments for:</b>			
Depreciation and amortisation	13,14	394,913	443,916
Provision for/(reversal of) reserve for employee severance payments, net	21	366,715	(16,887)
Provision for vacation pay liability	21	93,633	83,375
Derivative financial instruments	20	(16,740,061)	13,140,595
Net interest, fee and commission income		(64,891,884)	(58,650,460)
Share of profit of equity-accounted investees	12	-	(1,520,942)
Dividend income	25	(83,961)	(160)
Deferred tax (credit)/expense	8	3,003,145	(1,564,436)
Current tax expense	8	2,827,452	4,872,283
Provision for doubtful receivables	11	20,974,573	1,978,450
Loss/(gain) on sale of investments	12	-	(3,525,124)
		<b>(37,943,111)</b>	<b>(31,531,982)</b>
Change in factoring receivables		(118,679,854)	137,373,171
Change in factoring payables		125,756	113
Change in other assets		(377,560)	432,448
Change in other liabilities		(786,245)	573,218
Interest, fee and commission received		109,452,009	108,183,493
Interest, fee and commission paid		(34,759,266)	(54,607,123)
Employee severance paid	21	(99,925)	(78,694)
Taxes (paid)/received		(4,102,736)	2,126,026
Proceeds from recoveries of impaired factoring receivables	11	766,623	108,767
<b>Net cash provided from/(used in) operating activities</b>		<b>(86,404,309)</b>	<b>162,579,437</b>
<b>Cash flows from investing activities:</b>			
Acquisition of investment securities		-	(838)
Proceeds from disposals of investments		499	50,779,000
Acquisition of property and equipment	13	(127,213)	(334,771)
Acquisition of intangible assets	14	(98,816)	(33,666)
Dividend received		83,961	160
<b>Net cash provided from/(used in) investing activities</b>		<b>(141,569)</b>	<b>50,409,885</b>
<b>Cash flows from financing activities:</b>			
Net change in loans and bank borrowings		48,480,737	(130,862,537)
Net change in securities issued		94,110,000	-
Dividends paid	22	(44,463,832)	-
<b>Net cash provided from/(used in) financing activities</b>		<b>98,126,905</b>	<b>(130,862,537)</b>
Effects of foreign exchange rate fluctuations on cash and cash equivalents		(1,812,572)	3,902,303
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>9,768,455</b>	<b>86,029,088</b>
Cash and cash equivalents at 1 January	10	110,574,479	24,545,391
<b>Cash and cash equivalents at 31 December</b>	<b>10</b>	<b>120,342,934</b>	<b>110,574,479</b>

The notes on pages 5 to 38 are an integral part of these financial statements.

# **Fiba Faktoring Anonim Şirketi**

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

<b>Notes to the financial statements</b>	<b>Page</b>
1. Reporting entity	6
2. Basis of preparation	6
3. Significant accounting policies	7
4. Determination of fair values	14
5. Personnel expenses	15
6. Administrative expenses	16
7. Other expenses	16
8. Taxation	17
9. Net trading gain / (loss)	19
10. Cash and cash equivalents	19
11. Factoring receivables and payables	20
12. Investment securities	21
13. Property and equipment	22
14. Intangible assets	23
15. Assets held for sale	23
16. Other assets	24
17. Loans and borrowings	24
18. Securities issued	25
19. Other liabilities	25
20. Derivative financial instruments	25
21. Employee benefits	26
22. Capital and reserves	27
23. Financial risk management	29
24. Commitments and contingencies	36
25. Related party disclosures	36
26. Subsequent events	38



# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 1 Reporting entity

Fiba Faktoring Anonim Şirketi ("Fiba Faktoring" or the "Company") was established in 1992 to provide factoring services to industrial and commercial firms, and is registered in Turkey. The Company has been operating under the name of Fiba Faktoring Hizmetleri Anonim Şirketi till 30 July 2012.

The address of the registered office of Fiba Faktoring is as follows:

1. Levent Plaza A Blok Kat: 2, Büyükdere Caddesi No: 173 1. Levent 34330 İstanbul-Turkey.

The number of employees of the Company as at 31 December 2012 is 133 (31 December 2011: 129).

The Company's principal activity is to provide factoring services substantially in one geographical segment (Turkey).

## 2 Basis of preparation

### (a) Statement of compliance

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Uniform Chart of Accounts issued by Banking Regulation and Supervision Agency ("BRSA"), the Turkish Commercial Code (the "TCC"), and Tax Legislation. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial statements were approved by the Company management on 28 February 2013. General Assembly and other regulatory bodies have the power to amend the statutory financial statements after their issue.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis, as adjusted for the effects of inflation that ended at 31 December 2005 except for the derivative financial instruments and financial assets at fair value through profit or loss which are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

### (c) Functional and presentation currency

These financial statements are presented in TL, which is the Company's functional currency.

### (d) Use of estimates and judgments

The preparation of the financial statements requires in conformity with IFRSs management to make judgements, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about significant assumptions and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3(e) and (f) Useful lives of property and equipment and intangible assets
- Note 4 – Determination of fair values
- Note 8 – Taxation
- Note 11 – Factoring receivables – Allowance for doubtful receivables
- Note 20 – Derivative financial instruments
- Note 21 – Employee benefits
- Note 23 – Financial risk management
- Note 24 – Commitments and contingencies

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

### (a) Accounting in hyperinflationary economies

International Accounting Standard ("IAS") No. 29, which deals with the effects of inflation in the financial statements, requires that financial statements prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the reporting date and the corresponding figures for previous years be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%.

The cumulative three-year inflation rate in Turkey was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by Turkish Statistical Institute. This, together with the sustained positive trend in the quantitative factors such as financial and economical stabilisation, decrease in the interest rates and the appreciation of TL against the US Dollars ("USD"), have been taken into consideration to categorise Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied to the financial statements as at and for the year ended 31 December 2012 and 2011.

### (b) Foreign currency transactions

Transactions in foreign currencies are translated to TL at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to TL at the exchange rates ruling at the reporting date announced by Central Bank of Turkey ("CBT"). Gains and losses arising from foreign currency transactions are recognised in profit or loss.

Foreign currency translation rates used by the Company as at 31 December are as follows:

	<u>2012</u>	<u>2011</u>
USD	1.7826	1.8889
Euro ("EUR")	2.3517	2.4438
GBP	2.8708	2.9170
Ruble	0.05808	0.05815
100 JPY	2.0656	2.4340

### (c) Financial instruments

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise cash and cash equivalents, factoring receivables, investments, other receivables, factoring payables, loans and borrowings, securities issued and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial instruments are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the instrument.

Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 3 Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, demand deposits and time deposits at banks having original maturity less than 3 months and readily to be used by the Company or not blocked for any other purpose.

Time deposits are measured at amortised cost using the effective interest method. Demand deposits are measured at cost.

Accounting for interest income and expense is discussed in note 3 (m).

#### *Factoring receivables*

Factoring receivables are measured at amortised cost less specific allowances for uncollectibility and unearned interest income. Specific allowances are made against the carrying amount of factoring receivables and that are identified as being impaired based on regular reviews of outstanding balances to reduce factoring receivables to their recoverable amounts. When a factoring receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, receivable is written off immediately.

#### *Loans and borrowings*

Loans and borrowings and securities issued are recognised initially at fair value, net of any transaction costs incurred. Subsequent to initial recognition, loans and borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings.

#### *Investments*

Investments in equity securities are classified as available-for-sale assets. Available-for-sale assets are financial assets that are not held for trading purposes, or held to maturity. Investments in equity securities, which are not quoted in an active market, are measured at cost less impairment losses, if any, as their fair values cannot be estimated reasonably.

When equity investments are disposed of, any resulting gain or loss is recognised in profit or loss as the difference between the sales price and the carrying amount of the investment.

#### *Other*

Other non-derivative financial and liabilities are measured at amortised cost.

#### *Derivative financial instruments*

The Company holds derivative financial instruments for trading purposes. The Company engages in currency swap, forward and option contracts.

Derivatives held for trading are recognised initially at fair value; attributable transaction costs are recognised in profit and loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in its fair value are recognised in profit or loss.

#### *Share capital*

##### *Ordinary shares*

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of ant tax effect.

Share capital increased pro-rata to existing shareholders is accounted for at par value as approved at the annual meeting of shareholders.

# **Fiba Faktoring Anonim Şirketi**

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## **3 Significant accounting policies (continued)**

### **(d) Property and equipment**

#### ***Recognition and measurement***

Items of property and equipment acquired before 1 January 2006 are measured at cost as adjusted for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29 less accumulated depreciation and impairment losses, if any. Property and equipment acquired after 1 January 2006 are measured at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of a component of an item at property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized on a net basis within "other operating income" or "other expenses" in profit or loss.

#### ***Subsequent costs***

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

#### ***Depreciation***

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for the current and comparative years are as follows:

Buildings	50 years
Motor vehicles	5 years
Furniture and fixtures	5 years

Leasehold improvements are amortised over the shorter of the lease period and their useful lives.

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

### **(e) Intangible assets**

Intangible assets represent computer software licenses. Intangible assets acquired before 1 January 2006 are measured at cost as adjusted for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29, less accumulated amortisation, and impairment losses, if any. Intangible assets acquired after 1 January 2006 are measured at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative years are 3 years.

## **Fiba Faktoring Anonim Şirketi**

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### **3 Significant accounting policies (continued)**

#### **(f) Leased assets**

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the Company, are classified as tangible assets acquired by financial lease. Upon the initial recognition tangible assets acquired by financial lease are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and leased assets are not recognized on the Company's statement of financial position.

#### **(g) Assets held for sale**

Assets held for sale consist of apartments, which had been pledged against the factoring receivables from the customers, purchased by the Company when the customers are not able to repay their debts to the Company. Assets held for sale are subsequently measured at the lower of carrying value or fair value less cost to sell and depreciation of the related asset is ceased.

The carrying amounts of the Company's asset held for sale are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

recoverable amount. Impairment losses are recognised in profit or loss. Gains from reversal of impairment are not recognised in excess of any cumulative impairment loss.

#### **(h) Impairment**

##### ***Financial assets***

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial assets is calculated by reference to its current fair value.

Financial assets are tested for impairment on an individual basis.

Impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 3 Significant accounting policies (continued)

### (h) Impairment (continued)

#### *Non-financial assets*

The carrying amounts of the Company's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (i) Employee benefits

#### *Reserve for employee severance payments*

In accordance with the existing social legislation in Turkey, the Company is required to make certain 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 an agreed formula, are subject to certain upper limits and are recognised in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees.

All changes in the reserve for employee severance payments, including actuarial differences, are recognised in profit or loss.

As at 31 December, the assumptions used in the calculation are as follows:

	2012	2011
Net discount rate	1.64%	3.81%
Expected salary / limit increase	5.0%	5.0%
Turnover rate to estimate the probability of retirement	95.22%	95.22%

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in profit or loss as the related service is provided.

# **Fiba Faktoring Anonim Şirketi**

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## **3 Significant accounting policies (continued)**

### **(j) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability.

### **(k) Offsetting**

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

### **(l) Related parties**

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties.

### **(m) Interest income and expense**

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in profit or loss include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

### **(n) Fees and commission**

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised in profit or loss as the related services are provided.

Other fees and commission expense are expensed in profit or loss as the services are received.

### **(o) Dividends**

Dividend income is recognised when the right to receive income is established.

### **(p) Net trading gain or loss**

Net trading gain or loss comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

## **Fiba Faktoring Anonim Şirketi**

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### **3 Significant accounting policies (continued)**

#### **(r) Income tax**

Income tax expense comprises current tax and deferred tax. Income tax is recognised in profit and loss, except to the extent that it relates to items recognised directly in equity or, in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in respect of temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Currently enacted tax rates are used to determine deferred taxes on income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

#### **(s) Events after the reporting period**

Events after the reporting period are events that occur between reporting date and the authorisation date for the issuance of the financial statements and may impact the Company positively or negatively. If there is evidence of such events as at reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses the post-reporting date events that are not adjusting events but material.

#### **(t) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for:

- IFRS 9 *Financial Instruments*, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets.

- IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.

The Company does not plan to adopt this standard early and the extent of the impact on the financial statements has not been determined yet.



# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 4 Determination of fair values

### *Accounting classification and fair values*

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances. Management has estimated that the fair value of certain financial instruments is not materially different than their recorded values due to their short-term nature except for long term factoring receivables and loans and borrowings.

The investments that are classified as available-for-sale do not have a quoted market price in an active market and other methods of reasonably estimating their market values would be inappropriate, accordingly they are stated at cost, including the adjustments for the effects of inflation till 31 December 2005, less impairment losses, if any.

Financial assets at fair value through profit or loss are measured based on quoted market prices at the end of the reporting period.

As at 31 December, the carrying amounts and fair values of financial instruments are as follows:

	2012		2011	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
<b><i>Financial assets</i></b>				
Cash and cash equivalents	120,679,934	120,679,934	111,165,354	111,165,354
Factoring receivables	726,888,763	726,574,986	627,451,587	627,451,587
Derivative financial assets	5,370,625	5,370,625	3,059,540	3,059,540
<b><i>Financial liabilities</i></b>				
Loans and borrowings	572,221,845	574,433,674	512,638,990	512,876,306
Securities issued	95,224,435	95,224,435	-	-
Factoring payables	331,241	331,241	205,485	205,485
Derivative financial liabilities	2,379,838	2,379,838	16,808,814	16,808,814

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 4 Determination of fair values (continued)

*Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2012	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	5,370,625	-	5,370,625
<b>Total financial assets</b>	-	<b>5,370,625</b>	-	<b>5,370,625</b>
Derivative financial liabilities	-	2,379,838	-	2,379,838
<b>Total financial liabilities</b>	-	<b>2,379,838</b>	-	<b>2,379,838</b>

  

31 December 2011	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	3,059,540	-	3,059,540
<b>Total financial assets</b>	-	<b>3,059,540</b>	-	<b>3,059,540</b>
Derivative financial liabilities	-	16,808,814	-	16,808,814
<b>Total financial liabilities</b>	-	<b>16,808,814</b>	-	<b>16,808,814</b>

## 5 Personnel expenses

For the years ended 31 December, personnel expenses comprised the following:

	2012	2011
Salary expenses	10,869,048	9,485,894
Premiums and bonuses to employees	1,908,067	1,590,478
Compulsory social security obligations	1,228,162	1,037,603
Meal expenses	392,202	360,519
Provision for employee severance payments (Note 21)	366,715	(16,887)
Health expenses	320,332	470,177
Increase in vacation pay liability (Note 21)	93,633	83,375
Others	232,567	346,900
	<b>15,410,726</b>	<b>13,358,059</b>

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 6 Administrative expenses

For the years ended 31 December, administrative expenses comprised the following:

	2012	2011
Traveling, operational lease and other vehicle expenses	1,276,589	1,443,858
Rent expenses	755,928	667,125
Notary expenses	443,142	155,611
Lawsuit expenses	437,348	327,477
Consultancy expenses	432,136	517,784
Office building contribution expenses	339,189	299,498
Communication expenses	321,206	321,967
Taxes and duties other than on income	269,672	237,341
Miscellaneous office expenses	256,485	183,566
IT expenses	153,546	239,425
Cleaning expenses	108,374	98,378
Stationary expenses	101,225	98,792
Advertising expenses	89,749	191,255
Insurance expenses	52,096	38,083
Others	757,719	162,000
	<b>5,794,404</b>	<b>4,982,160</b>

### 7 Other expenses

For the years ended 31 December, other expenses comprised the following:

	2012	2011
Donations	22,873,339	476,056
Others	50,068	382,270
	<b>22,923,407</b>	<b>858,326</b>

For the year ended 31 December 2012, donations include contributions made to "Hüsnü Özyeğin Foundation" amounting TL 3,070,493 (31 December 2011: TL 399,500), to Hüsnü Özyeğin University amounting to TL 17,555,000 (31 December 2011: 54,877 TL), to "AÇEV" amounting TL 2,150,600 (31 December 2011: TL 2,710) and to other various foundations amounting to TL 97,246 (31 December 2011: TL 18,969).

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 8 Taxation

As at 31 December 2012, corporate income tax is levied at the rate of 20% (31 December 2011: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15<sup>th</sup> and 30<sup>th</sup> articles of the Law no. 5520 on the Corporate Tax, was redefined according to the cabinet decision numbered 2006/10731, which was announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those are settled in Turkey or generate income in Turkey via a business or a regular agent was increased to 15% from 10%.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses can not be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

75% of gains on disposal of investment in equity securities and properties which were held for at least 2 years within the assets of acquirer entity after acquisition, are exempt from taxation if such gains are added to paid-in capital or kept under equity as restricted funds for at least 5 years.

The income tax expense for the years ended 31 December comprised the following items:

	2012	2011
<b>Current tax expense</b>		
Current tax	(2,827,452)	(4,872,283)
Tax penalty expense (*)	(3,134,521)	-
Tax amnesty expense (**)	-	(1,336,974)
	<b>(5,961,973)</b>	<b>(6,209,257)</b>
<b>Deferred tax (expense)/credit</b>		
Origination and reversal of temporary differences	(3,003,145)	1,564,436
	<b>(3,003,145)</b>	<b>1,564,436</b>
<b>Income tax expense</b>	<b>(8,965,118)</b>	<b>(4,644,821)</b>

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 8 Taxation (continued)

<sup>(\*)</sup> This amount is related to the tax penalty announced in 2012 by the tax authority as a result of investigation for 2007 corporate tax. The Company started the legal procedures related to the tax penalty to claim the tax penalty paid to the tax authority in 2012.

<sup>(\*\*)</sup> The Law numbered 6111 "Concerning the Restructuring of Certain Receivables, Social Security and the Amendment of the General Health Law and Certain Other Laws and Decrees with the Force of Law" was put into effect following its promulgation in the Official Gazette on 25 February 2011. The Company benefited from the tax amnesty stated in the scope of the Law within the application period regarding the base increase of corporate tax of the years 2008 and 2009 and benefited from tax penalty payment for 2007 and 2008. The Company paid additional tax amounting to TL 1,336,974 in 2011.

The reported income tax for the years ended 31 December are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	2012		2011	
	Amount	%	Amount	%
Reported profit before income tax <sup>(*)</sup>	21,942,961		16,535,255	
Income tax using the domestic corporation tax rate	(4,388,592)	(20)	(3,307,051)	(20)
Non-deductible expenses	(1,588,961)	(7)	(372,573)	(2)
Tax exempt income	16,792	-	528,918	3
Others	130,164	-	(157,141)	(1)
<b>Income tax expense excluding tax penalty and tax amnesty expense</b>	<b>(5,830,597)</b>	<b>(27)</b>	<b>(3,307,847)</b>	<b>(20)</b>
Tax penalty and tax amnesty expense	(3,134,521)		(1,336,974)	
<b>Total income tax expense</b>	<b>(8,965,118)</b>		<b>(4,644,821)</b>	

<sup>(\*)</sup> Reported profit before amount includes tax penalty and tax amnesty expenses.

In accordance with the related regulation for prepaid taxes on income, advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the income tax expense is not equal to the final tax liability appearing on the statement of financial position.

The taxes payable on income as at 31 December comprised the following:

	2012	2011
Taxes on income	2,827,452	4,872,283
Less: Taxes paid in advance (Note 16)	(1,353,859)	(2,123,406)
<b>Taxes payable on income</b>	<b>1,473,593</b>	<b>2,748,877</b>

At 31 December, deferred tax assets and liabilities were attributable to the items detailed in the table below:

At 31 December	2012		2011		2012		2011	
	Assets		Liabilities		Net			
Factoring receivables	631,007	398,218	-	-	631,007	398,218		
Employee benefits	265,776	193,691	-	-	265,776	193,691		
Derivative financial instruments	-	2,749,855	(598,157)	-	(598,157)	2,749,855		
Others	-	-	(124,927)	(164,920)	(124,927)	(164,920)		
	<b>896,783</b>	<b>3,341,764</b>	<b>(723,084)</b>	<b>(164,920)</b>	<b>173,699</b>	<b>3,176,844</b>		

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 8 Taxation (continued)

As at 31 December 2012 and 2011, there is no unrecognised deferred tax asset and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement of deferred assets and (liabilities) for the years ended 31 December are as follows:

	2012	2011
Balance at 1 January	3,176,844	1,612,408
Deferred tax credit/(expense) recognised in profit or loss	(3,003,145)	1,564,436
<b>Balance at 31 December</b>	<b>173,699</b>	<b>3,176,844</b>

### 9 Net trading gain / (loss)

For the years ended 31 December, net trading gain comprised the following:

	2012	2011
Net gain/(loss) from derivative financial instruments	20,678,348	(6,594,088)
	<b>20,678,348</b>	<b>(6,594,088)</b>

### 10 Cash and cash equivalents

As at 31 December, cash and cash equivalents comprised the following:

	2012	2011
Cash at banks		
- demand deposits	5,388,603	26,340,784
- time deposits	115,290,795	84,823,718
Cash on hand	536	852
<b>Total cash and cash equivalents</b>	<b>120,679,934</b>	<b>111,165,354</b>
Accrued interest on time deposits	(337,000)	(590,875)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>120,342,934</b>	<b>110,574,479</b>

As at 31 December 2012 and 2011, cash and cash equivalents include cash balances on hand, demand deposits and time deposits with original maturity periods of less than three month and over-night time deposits.

As at 31 December 2012, TL denominated time deposits amounting to TL 54,950,000 has an average interest rate of 8.28%, Euro denominated time deposits amounting to Euro 20,787,000 has an average interest rate of 4.02%, US Dollar denominated time deposits amounting to USD 5,880,000 has an average interest rate of 2.74% and GBP denominated time deposits amounting to GBP 222,000 has an average interest rate of 0.20% (31 December 2011: TL 52,901,000-11.00%; 6,300,000 - 8.00%; Euro 10,000,000 – 1.00%; Euro 243,000 – 5.75%).

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 11 Factoring receivables and payables

As at 31 December, factoring receivables comprised the following:

	2012	2011
Domestic factoring receivables	663,284,878	527,674,923
Export factoring receivables	72,954,883	104,801,228
Impaired factoring receivables	33,155,178	15,197,142
<b>Factoring receivables, gross</b>	<b>769,394,939</b>	<b>647,673,293</b>
Unearned income on factoring transactions	(11,161,912)	(9,085,392)
Allowance for impaired factoring receivables	(31,344,264)	(11,136,314)
<b>Factoring receivables, net</b>	<b>726,888,763</b>	<b>627,451,587</b>

As at 31 December 2012, factoring receivables amounting to TL 31,794,000 mature above one year (31 December 2011: TL 26,587,000).

Movements in the allowance for doubtful receivables for the years ended 31 December were as follows:

	2012	2011
Balance at 1 January	11,136,314	9,266,631
Provision, net of recoveries	20,207,950	1,869,683
<i>Allowance for the year</i>	<i>20,974,573</i>	<i>1,978,450</i>
<i>Recoveries of amounts previously provided</i>	<i>(766,623)</i>	<i>(108,767)</i>
<b>Balance at 31 December</b>	<b>31,344,264</b>	<b>11,136,314</b>

As at 31 December, the ageing analysis of the impaired factoring receivables are as follows:

	2012		2011	
	Gross Amount	Provision	Gross Amount	Provision
Overdue 1 to 3 months	2,430,363	856,152	2,205,532	1,424,416
Overdue 3 to 6 months	17,781,247	17,566,373	-	-
Overdue 6 to 12 months	1,173,839	1,152,010	442,720	442,720
Overdue over 1 year	11,769,729	11,769,729	12,548,890	9,269,178
<b>Total</b>	<b>33,155,178</b>	<b>31,344,264</b>	<b>15,197,142</b>	<b>11,136,314</b>

Details of the collaterals obtained from customers are presented in Note 24.

### *Factoring payables*

As at 31 December, factoring payables are as follows:

	2012	2011
Domestic factoring payables	315,243	139,248
Export factoring payables	15,998	66,237
	<b>331,241</b>	<b>205,485</b>

Factoring payables represent the amounts collected on behalf of customers but not yet paid at the end of the reporting period.

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 12 Investment securities

#### Investments in equity securities available-for-sale

As at 31 December, the Company holds equity securities in the following companies:

	2012		2011	
	Carrying value	% of ownership	Carrying value	% of ownership
Fiba Alışveriş Mer. Gel. İnş. ve Paz. Tic. AŞ	504,426	0.25	504,426	0.25
Girişim Faktoring AŞ	105,304	0.50	105,304	0.50
Finans Yatırım Menkul Değerler AŞ	98,083	0.20	98,083	0.20
Others	6,176		6,675	
<b>Total</b>	<b>713,989</b>		<b>714,488</b>	

As at 31 December, the investments above are classified as available-for-sale do not have a quoted market price in an active market and other methods of reasonably estimating their market values would be inappropriate, accordingly investments acquired before 1 January 2006 are measured at cost as adjusted for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29, less impairment losses, if any.

On 27 June 2011, based on the decision numbered 158 of the Board of Directors of the Company, the Company sold 48.99% of its shares comprising 19,212,960 nominal shares in Girişim Varlık to Fina Holding A.Ş. at TL 50,779,000. Therefore, the Company's share in profit of the associate amounting to TL 1,520,942 has been accounted by using the equity method till the date that shares of the Company sold, and included in the "share of profit of equity-accounted investees" line in the accompanying statement of comprehensive income. The difference between the proceed from sale and the carrying value of the investment in Girişim Varlık accounted by equity method at the time of the sale amounted to TL 3,525,124 and has been recognised under "Gain / (loss) on sale of investment securities" in profit or loss in 2011.



# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 13 Property and equipment

Movements in property and equipment for the years ended 31 December were as follows:

	Buildings (**)	Motor vehicles	Furniture and fixtures	Leasehold improvements	Others (*)	Total
<b>Cost</b>						
Balance at 1 January 2011	2,595,515	68,974	1,570,993	2,091,558	1,530,650	7,857,690
Additions	-	-	175,111	159,660	-	334,771
Disposals	-	-	-	-	-	-
<b>Balance at 31 December 2011</b>	<b>2,595,515</b>	<b>68,974</b>	<b>1,746,104</b>	<b>2,251,218</b>	<b>1,530,650</b>	<b>8,192,461</b>
Balance at 1 January 2012	2,595,515	68,974	1,746,104	2,251,218	1,530,650	8,192,461
Additions	-	-	114,149	13,064	-	127,213
Disposals	-	-	(5,603)	-	-	(5,603)
<b>Balance at 31 December 2012</b>	<b>2,595,515</b>	<b>68,974</b>	<b>1,854,650</b>	<b>2,264,282</b>	<b>1,530,650</b>	<b>8,314,071</b>
<b>Accumulated depreciation</b>						
Balance at 1 January 2011	303,214	68,974	1,287,017	1,819,897	-	3,479,102
Depreciation for the year	51,912	-	130,449	159,503	-	341,864
Disposals	-	-	-	-	-	-
<b>Balance at 31 December 2011</b>	<b>355,126</b>	<b>68,974</b>	<b>1,417,466</b>	<b>1,979,400</b>	<b>-</b>	<b>3,820,966</b>
Balance at 1 January 2012	355,126	68,974	1,417,466	1,979,400	-	3,820,966
Depreciation for the year	52,053	-	144,077	100,155	-	296,285
Disposals	-	-	(5,603)	-	-	(5,603)
<b>Balance at 31 December 2012</b>	<b>407,179</b>	<b>68,974</b>	<b>1,555,940</b>	<b>2,079,555</b>	<b>-</b>	<b>4,111,648</b>
<b>Carrying amounts</b>						
At 1 January 2011	2,292,301	-	283,976	271,661	1,530,650	4,378,588
<b>At 31 December 2011</b>	<b>2,240,389</b>	<b>-</b>	<b>328,638</b>	<b>271,818</b>	<b>1,530,650</b>	<b>4,371,495</b>
At 1 January 2012	2,240,389	-	328,638	271,818	1,530,650	4,371,495
<b>At 31 December 2012</b>	<b>2,188,336</b>	<b>-</b>	<b>298,710</b>	<b>184,727</b>	<b>1,530,650</b>	<b>4,202,423</b>

(\*) Others comprised of collection of paintings which are not amortised.

(\*\*) As at 31 December 2012, TL 2,188,336 (31 December 2011: TL 2,240,389) of net carrying value of building was acquired through finance lease contracts.

There is no pledge or liens on property and equipment.

As at 31 December 2012, total insurance coverage on property and equipment amounted to TL 5,997,071 (31 December 2011: TL 4,510,693) and TL 9,445 is paid as insurance premium (31 December 2011: TL 8,607).

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 14 Intangible assets

Movements in intangible assets for the years ended 31 December were as follows:

	Software
<b>Cost</b>	
Balance at 1 January 2011	1,419,700
Additions	33,666
<b>Balance at 31 December 2011</b>	<b>1,453,366</b>
Balance at 1 January 2012	<b>1,453,366</b>
Additions	98,816
<b>Balance at 31 December 2012</b>	<b>1,552,182</b>
<b>Accumulated amortisation</b>	
Balance at 1 January 2011	1,072,917
Amortisation for the year	102,052
<b>Balance at 31 December 2011</b>	<b>1,174,969</b>
Balance at 1 January 2012	<b>1,174,969</b>
Amortisation for the year	98,628
<b>Balance at 31 December 2012</b>	<b>1,273,597</b>
<b>Carrying amounts</b>	
At 1 January 2011	346,783
<b>At 31 December 2011</b>	<b>278,397</b>
At 1 January 2012	278,397
<b>At 31 December 2012</b>	<b>278,585</b>

As at 31 December 2012 and 2011, there is no internally generated software.

### 15 Assets held for sale

For the years ended 31 December, assets held for sale are apartment flats transferred from one of the customers against the receivables under follow-up. Movements of assets held for sale for the years ended 31 December were as follows:

	2012	2011
Opening balance	767,600	-
Additions	2,297,400	767,600
	<b>3,065,000</b>	<b>767,600</b>

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 16 Other assets

As at 31 December, other assets comprised the following:

	2012	2011
Advances given	499,511	281,045
Prepaid expenses	224,041	283,680
Others	406,920	188,187
	<b>1,130,472</b>	<b>752,912</b>

## 17 Loans and borrowings

As at 31 December, loans and borrowings comprised the following:

	Original amount	Nominal interest rate (%) (*)	2012		
			TL amount		Total loans and borrowings
			Up to 1 year	1 year and over	
TL	341,671,778	5.90-12.50	308,323,406	33,348,372	341,671,778
USD	64,723,480	5.00-6.60	115,376,075	-	115,376,075
Euro	28,462,649	5.00-6.00	66,935,612	-	66,935,612
Ruble	539,587,640	10.05-10.65	11,245,181	20,094,069	31,339,250
JPY	818,122,103	3.70	16,899,130	-	16,899,130
TL			<b>518,779,404</b>	<b>53,442,441</b>	<b>572,221,845</b>
2011					
	Original amount	Nominal interest rate (%) (*)	TL amount		Total loans and borrowings
			Up to 1 year	1 year and over	
TL	223,863,577	10.00-14.37	187,775,269	36,088,308	223,863,577
USD	82,147,122	2.60-5.50	155,167,699	-	155,167,699
Euro	50,073,287	3.44-5.62	122,369,099	-	122,369,099
Ruble	193,269,394	10.05	-	11,238,615	11,238,615
<b>Total</b>			<b>465,312,067</b>	<b>47,326,923</b>	<b>512,638,990</b>

(\*) These rates represent the average nominal interest rates of outstanding borrowings with fixed and floating rates as at 31 December 2012 and 2011.

As at 31 December 2012, loans and borrowings amounting are TL 288,000,000, USD 35,000,000, Euro 27,500,000, Ruble 505,000,000 and JPY 800,000,000 secured by Fiba Holding AŞ (31 December 2011: to TL 215,500,000, USD 75,000,000, Euro 49,500,000 and Ruble 190,000,000).

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 18 Securities issued

The Company issued two discounted private sector bills on 9 October 2012 and 14 December 2012, with maturity by twelve months and six months, respectively, each having 50,000,000 TL nominal.

Code	Currency	Maturity	Interest type	Interest rate (%)	Nominal value	Carrying value
TRFFBFKE1315	TL	4 Oct 2013	Fixed	9.45	50,000,000	46,687,537
TRFFBFK61318	TL	10 June 2013	Fixed	6.89	50,000,000	48,536,898
					<b>100,000,000</b>	<b>95,224,435</b>

### 19 Other liabilities

As at 31 December, other liabilities comprised the following:

	2012	2011
Taxes and duties payable other than on income	997,234	1,020,351
Payables to suppliers	338,052	266,002
Others	326,597	847,998
	<b>1,661,883</b>	<b>2,134,351</b>

### 20 Derivative financial instruments

The Company uses the currency swap, forward and option derivative instruments. "Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Accumulative boosted forward transaction is a type of forward contract in which the transaction occurs every work day throughout the agreed time period based on the conditions of the agreement.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 20 Derivative financial instruments (continued)

The fair values of derivative instruments held as at 31 December, which represent the carrying values are as follows:

	31 December 2012		31 December 2011	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Currency swaps	5,059,754	(2,128,582)	2,923,274	(6,044,155)
Currency forwards	285,480	-	-	-
Accumulative boosted forward transactions	25,391	-	136,266	(10,764,659)
Currency options	-	(251,256)	-	-
	<b>5,370,625</b>	<b>(2,379,838)</b>	<b>3,059,540</b>	<b>(16,808,814)</b>

As at 31 December 2012, currency swaps and forwards mature between 4 January 2013 and 23 May 2014, accumulated boosted forward transactions mature at 23 July 2013 and currency options mature at 17 September 2013. As at 31 December 2011, currency swaps mature between 3 January 2012 and 23 October 2013 and accumulated boosted forward transactions mature between 10 October 2012 and 22 July 2013.

### 21 Employee benefits

As at 31 December, employee benefits comprised the following:

	2012	2011
Reserve for employee severance payments	701,092	434,302
Vacation pay liability	627,788	534,155
	<b>1,328,880</b>	<b>968,457</b>

#### 21.1 Reserve for employee severance payments

In accordance with existing social legislation in Turkey, the Company 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, maximum of TL 3,034 at 31 December 2012 (31 December 2011: TL 2,732) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

As at and for the years ended 31 December, movements in the reserve for employee severance payments were as follows:

	2012	2011
Balance at 1 January	434,302	529,883
Interest cost	45,391	27,255
Service cost	146,216	104,051
Payment during the year	(99,925)	(78,694)
Actuarial difference	175,108	(148,193)
<b>Balance at 31 December</b>	<b>701,092</b>	<b>434,302</b>

Actuarial differences are recognized in profit or loss.

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 21 Employee benefits (continued)

#### 21.2 Vacation pay liability

In accordance with current labour law, the Company makes payments for unused vacations of employees. The liability is calculated by the remaining vacation days multiplied by one day's pay.

For the years ended 31 December, movements in the vacation pay liability were as follows:

	2012	2011
Balance at 1 January	534,155	450,780
Increase during the year	93,633	83,375
<b>Balance at 31 December</b>	<b>627,788</b>	<b>534,155</b>

### 22 Equity

#### 22.1 Paid-in capital

At 31 December 2012 and 2011, the paid-in capital amounted to TL 50,459,601 as adjusted for the effects of inflation in terms of TL units current at 31 December 2005 pursuant to IAS 29 in the accompanying financial statements.

At 31 December 2012, the nominal paid-in capital of the Company comprises 48.500.000 shares (31 December 2011: 14.000.000) of TL 1 each. There are no privileged shares of the Company.

For the years ended 31 December, the composition of the authorised and paid-in share capital was as follows:

	2012		2011	
	Number of shares	Share (%)	Number of shares	Share (%)
Fiba Holding AŞ	46.097.296	95.05	13.096.436	93.54
Fina Holding AŞ	2.400.750	4.95	693	4.95
Others	1.954	0.00	210.564	1.51
	<b>48.500.000</b>	<b>100</b>	<b>14.000.000</b>	<b>100.00</b>

As per the resolution of Extraordinary General Assembly Meeting of the Company on 18 July 2012, 75% of gains on disposal of investment in equity securities amounting to TL 6,081,407 from sale of shares in Finansbank AŞ in 2006, which was kept under equity as restricted funds, has been transferred to the paid-in capital of the Company.

## **Fiba Faktoring Anonim Şirketi**

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### **22 Equity (continued)**

#### **22.2 Legal reserves**

The legal reserves, which are included in retained earnings, are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the legal reserves amounted to TL 15,565,974 as at 31 December 2012 (31 December 2011: TL 10,625,548).

#### **22.3 Retained earnings**

75% of gains on disposal of investment in equity securities and properties which were held for at least 2 years within the assets of acquirer entity after acquisition, are exempt from taxation if such gains are added to paid-in capital or kept under equity as restricted funds for at least 5 years. As at 31 December 2012, retained earnings balance is comprised of such restricted funds amounting to TL 107,699,453 (31 December 2011: TL 187,957,274).

As per the General Assembly Meeting on 2 May 2012, it was decided offset accumulated losses with 2011 profit and the above mentioned restricted funds for which the time limitation has expired. The remaining amount has been decided to be distributed as dividend amounting to TL 44,463,832 after the required legal reserve amount has been appropriated.

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 23 Financial risk management

The Company has exposure to the following risks during the course of its operations:

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### Credit risk

The Company is subject to credit risk through its factoring operations. Risk Management and Analysis Department is responsible to manage the credit risk. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit.

At reporting date, there were no significant concentrations of credit risk on customer basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

At 31 December, the detail of the breakdown of the net factoring receivables by industrial groups is as follows:

	2012	%	2011	%
Construction	188,028,644	26	153,685,444	24
Financial services	138,777,723	19	48,897,982	8
Textile industry	70,651,464	10	70,126,472	11
Mining	42,759,916	6	14,709,998	2
Production	40,197,946	6	39,824,020	6
Transportation vehicles, communication and archiving	34,226,334	5	31,116,093	5
Health and social services	32,416,462	4	32,695,320	5
Wood products	32,097,464	4	23,620,980	4
Food and beverage	29,073,168	4	23,056,369	4
Metal and metal processing	27,807,900	4	19,943,117	3
Logistics	25,683,926	4	63,521,797	10
Chemicals	17,777,090	2	18,030,513	3
Plastic products	6,568,508	1	28,738,735	5
Other	40,822,218	5	59,484,747	10
	<b>726,888,763</b>	<b>100</b>	<b>627,451,587</b>	<b>100</b>



# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 23 Financial risk management (continued)

### Credit risk (continued)

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2012	2011
Factoring receivables	11	726,888,763	627,451,587
Derivative financial instruments	20	5,370,625	3,059,540
Other assets (*)	16	406,920	188,187
Cash and cash equivalents (**)	10	120,679,398	111,164,502
<b>Total</b>		<b>853,345,706</b>	<b>741,863,816</b>

(\*) Non-financial instruments such as, prepaid expenses and advances given are excluded from other assets.

(\*\*) Cash on hand is excluded.

Transactions involving derivatives are mainly with related parties.

The Company establishes an allowance for doubtful receivables that represents its estimate of incurred losses in respect of factoring receivables. This allowance includes the specific loss component that relates to individual customer exposures.

The Company has obtained the following collaterals for its factoring receivables at 31 December:

	2012	2011
Customer notes and cheques obtained as collateral	1,189,385,931	1,277,611,240
Receivables transferred	427,780,286	377,844,296
Mortgages	33,350,000	10,000,000
Pledges	19,790,000	2,100,000
	<b>1,670,306,217</b>	<b>1,667,555,536</b>

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its liquidity position on a periodic basis, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically, the Company ensures that it has sufficient liquid assets to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. To manage liquidity risk arising from financial liabilities, the Company holds liquid assets mainly comprising cash and cash equivalents and investments in debt securities for which there is an active market. These assets can be readily sold to meet liquidity requirements.

# Fiba Faktoring Anonim Şirketi

## Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 23 Financial risk management (continued)

#### Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements on undiscounted basis.

31 December 2012	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 year – 5 years
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	572,221,845	590,775,490	212,733,308	316,428,628	61,613,554
Securities issued	95,224,435	100,000,000	-	100,000,000	-
Factoring payables	331,241	331,241	331,241	-	-
Other liabilities (*)	664,649	664,649	664,649	-	-
<b>Total</b>	<b>668,442,170</b>	<b>691,771,380</b>	<b>213,729,198</b>	<b>416,428,628</b>	<b>61,613,554</b>
<b>31 December 2011</b>					
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 year – 5 years
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	512,638,990	526,380,960	396,295,657	80,099,616	49,985,687
Factoring payables	205,485	205,485	205,485	-	-
Other liabilities (*)	1,114,000	1,114,000	1,114,000	-	-
<b>Total</b>	<b>513,958,475</b>	<b>527,700,445</b>	<b>397,615,142</b>	<b>80,099,616</b>	<b>49,985,687</b>

(\*) Other liabilities exclude withholding taxes and duties payable.

The table below shows the notional amounts of derivative instruments analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	31 December 2012				
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
<b>Currency swaps:</b>					
Purchases	30,832,277	52,575,929	60,637,491	45,357,185	189,402,882
Sales	30,758,118	51,581,558	59,074,751	39,955,213	181,369,640
<b>Forward</b>					
Purchases	-	-	4,104,948	-	4,104,948
Sales	-	-	3,543,258	-	3,543,258
<b>Currency options</b>					
Purchases	-	-	12,500,000	-	12,500,000
Sales	-	-	11,758,500	-	11,758,500
<b>Accumulated boosted forwards:</b>					
Purchases	277,095	527,800	1,016,015	-	1,820,910
Sales	262,042	499,128	960,822	-	1,721,992
Total of purchases	31,109,372	53,103,729	78,258,454	45,357,185	207,828,740
Total of sales	31,020,160	52,080,686	75,337,331	39,955,213	198,393,390
<b>Total of transactions</b>	<b>62,129,532</b>	<b>105,184,415</b>	<b>153,595,785</b>	<b>85,312,398</b>	<b>406,222,130</b>

# Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

## 23 Financial risk management (continued)

### Liquidity risk (continued)

	31 December 2011				
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Currency swaps:					
Purchases	30,539,988	65,098,729	32,602,414	12,366,970	140,608,101
Sales	30,402,858	66,122,425	30,547,500	10,620,886	137,693,669
Accumulated boosted forwards:					
Purchases	9,341,610	18,642,853	63,061,593	9,104,550	100,150,606
Sales	9,594,216	19,120,292	64,513,722	9,123,387	102,351,617
Total of purchases	39,881,598	83,741,582	95,664,007	21,471,520	240,758,707
Total of sales	39,997,074	85,242,717	95,061,222	19,744,273	240,045,286
<b>Total of transactions</b>	<b>79,878,672</b>	<b>168,984,299</b>	<b>190,725,229</b>	<b>41,215,793</b>	<b>480,803,993</b>

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. All the financial instruments have fixed interest rates except for a portion of factoring receivables and loans and borrowings which have floating interest rate.

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Company is also exposed to basis risk which is the difference in repricing characteristics of the various floating rate indices, such as year end libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

The tables below summarise average effective interest rates by major currencies for monetary financial instruments at 31 December:

	31 December 2012						31 December 2011			
	USD (%)	Euro (%)	Ruble (%)	GBP (%)	JPY (%)	TL (%)	USD (%)	Euro (%)	GBP (%)	TL (%)
<b>Assets</b>										
Cash at banks										
- Time deposits	2.74	4.02	-	-	-	8.28	-	5.64	-	10.68
Factoring receivables	8.77	7.67	-	8.34	-	17.06	9.11	7.97	-	15.05
<b>Liabilities r</b>										
Loans and borrowings	5.70	5.43	10.42	-	3.70	8.57	3.34	4.19	10.05	12.10
Securities issued	-	-	-	-	-	8.17	-	-	-	-

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 23 Financial risk management (continued)

#### Market risk (continued)

##### Interest rate profile

At 31 December, the interest rate profile of the interest-bearing financial instruments was:

	Carrying amount	
	2012	2011
<b>Fixed rate instruments</b>		
Factoring receivables	450,967,202	360,952,147
Time deposits	115,290,795	84,823,718
Securities issued	95,224,435	-
Factoring payables	331,241	205,485
Loans and borrowings	572,221,845	279,017,842
<b>Variable rate instruments</b>		
Factoring receivables	275,921,561	266,499,440
Loans and borrowings	-	233,621,148

##### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Company does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore a change in interest rates at the reporting date would not directly affect equity.

##### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2011.

	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2012</b>				
Variable rate instruments	2,759,216	(2,759,216)	2,759,216	(2,759,216)
	2,759,216	(2,759,216)	2,759,216	(2,759,216)
<b>31 December 2011</b>				
Variable rate instruments	328,783	(328,783)	328,783	(328,783)
	328,783	(328,783)	328,783	(328,783)

(\*) Equity effect includes the profit or loss effect of the related financial instruments.

# Fiba Faktoring Anonim Şirketi

## Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 23 Financial risk management (continued)

#### Market risk (continued)

##### Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL.

At 31 December, the currency risk exposures were as follows (TL equivalents):

	2012			TL
	USD	Euro	Other	Total
<b>Foreign currency monetary assets</b>				
Cash and cash equivalents	12,190,191	49,538,910	671,363	62,400,464
Factoring receivables	62,183,802	61,587,298	3,026,847	126,797,947
<b>Total foreign currency monetary assets</b>	<b>74,373,993</b>	<b>111,126,208</b>	<b>3,698,210</b>	<b>189,198,411</b>
<b>Foreign currency monetary liabilities</b>				
Loans and borrowings	115,376,075	66,935,612	48,238,380	230,550,067
Factoring payables	15,998	-	-	15,998
Other liabilities	-	71,929	-	71,929
<b>Total foreign currency monetary liabilities</b>	<b>115,392,073</b>	<b>67,007,541</b>	<b>48,238,380</b>	<b>230,637,994</b>
<b>Gross exposure</b>	<b>(41,018,080)</b>	<b>44,118,667</b>	<b>(44,540,170)</b>	<b>(41,439,583)</b>
Off balance sheet net notional position	2,249,900	(135,989,556)	49,238,197	(84,501,459)
<b>Net position</b>	<b>(38,768,180)</b>	<b>(91,870,889)</b>	<b>4,698,027</b>	<b>(125,941,042)</b>
	2011			TL
	USD	Euro	Other	Total
<b>Foreign currency monetary assets</b>				
Cash and cash equivalents	15,564,220	28,806,753	982,942	45,353,915
Factoring receivables	117,636,915	80,050,752	1,695,222	199,382,889
<b>Total foreign currency monetary assets</b>	<b>133,201,135</b>	<b>108,857,505</b>	<b>2,678,164</b>	<b>244,736,804</b>
<b>Foreign currency monetary liabilities</b>				
Loans and borrowings	155,167,699	122,369,099	11,238,615	288,775,413
Factoring payables	50,967	15,270	-	66,237
Other liabilities	-	94,358	-	94,358
<b>Total foreign currency monetary liabilities</b>	<b>155,218,666</b>	<b>122,478,727</b>	<b>11,238,615</b>	<b>288,936,008</b>
<b>Gross exposure</b>	<b>(22,017,531)</b>	<b>(13,621,222)</b>	<b>(8,560,451)</b>	<b>(44,199,204)</b>
Off balance sheet net notional position	(76,117,223)	(88,457,342)	12,366,845	(152,207,720)
<b>Net position</b>	<b>(98,134,754)</b>	<b>(102,078,564)</b>	<b>3,806,394</b>	<b>(196,406,924)</b>

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 23 Financial risk management (continued)

#### Market risk (continued)

##### Foreign currency sensitivity analysis

A 10 percent weakening of TL against the foreign currencies at 31 December 2012 would have increased (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 31 December 2011.

<b>31 December 2012</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(3,876,818)	(3,876,818)
Euro	(9,187,089)	(9,187,089)
Other	469,803	469,803
	<b>(12,594,104)</b>	<b>(12,594,104)</b>

  

<b>31 December 2011</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(9,813,475)	(9,813,475)
Euro	(10,207,856)	(10,207,856)
Other	380,639	380,639
	<b>(19,640,692)</b>	<b>(19,640,692)</b>

A 10 percent strengthening of the TL against the foreign currencies at 31 December 2012 and 2011 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.

#### Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to meet local regulatory requirements. As per the "Leasing, Factoring and Financial Companies Law" No. 6361, published in the Official Gazette dated 13 December 2012, minimum paid-in capital requirement of the Company is TL 20,000,000. The Company's paid-in capital is above the minimum limits.

As at 31 December 2012 and 2011, ratio of net debt to equity is presented below:

	<b>2012</b>	<b>2011</b>
Total liabilities	674,621,715	535,504,974
Minus: Cash and cash equivalents	(120,679,934)	(111,165,354)
Net debt	553,941,781	424,339,620
Total equity	187,881,775	216,233,243
Net debt/equity ratio	2.95	1.96

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 24 Commitments and contingencies

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items:

	31 December 2012	31 December 2011
Given to government organisations	4,740,868	1,262,494
	<b>4,740,868</b>	<b>1,262,494</b>

The future aggregate minimum non-cancellable lease payments under operating leases for motor vehicles and buildings are as follows:

	31 December 2012	31 December 2011
Less than 1 year	780,918	1,343,325
More than 1 year and less than 5 years	-	858,715
<b>Total of minimum rent payments</b>	<b>780,918</b>	<b>2,202,040</b>

### 25 Related party disclosures

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business.

As at 31 December, the Company had the following balances outstanding from its related parties:

	2012	2011
<b>Cash at banks</b>		
Credit Europe Bank Suisse – time (*)	-	53,426,953
Credit Europe Bank Suisse -- demand	1,648,106	8,610,729
Credit Europe Bank NV – time	1,544,003	-
Credit Europe Bank NV -- demand	9,884	8,160,887
Fibabanka AŞ – demand	436,469	769,381
Fibabanka AŞ – time	500,075	-
	<b>4,138,537</b>	<b>70,967,950</b>

(\*) As at 31 December 2011, time deposit at Credit Europe Bank Suisse is the fiduciary account of the Company. Credit Europe Bank Suisse make placements of the funds to third parties on behalf of the Company.

## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 25 Related party disclosures (continued)

As at 31 December 2012 and 2011, derivative transactions with related parties with the TL equivalent of the notional amounts are as follows:

Derivative financial instruments – notional amounts	2012	
	Purchase	Sale
Credit Europe Bank NV– currency swaps	58,773,567	54,995,384
Credit Europe Bank Suisse – currency options	12,500,000	11,758,500
Credit Europe Bank NV– currency forwards	4,104,948	3,543,258
Credit Europe Bank Suisse – accumulative boosted forward transactions	1,820,910	1,721,992
	<b>77,199,425</b>	<b>72,019,134</b>

Derivative financial instruments – notional amounts	2011	
	Purchase	Sale
Credit Europe Bank Suisse – accumulative boosted forward transactions	58,942,606	57,018,017
Credit Europe Bank NV– accumulative boosted forward transactions	41,208,000	45,333,600
	<b>100,150,606</b>	<b>102,351,617</b>

	31 December 2012	31 December 2011
<b>Derivative financial instruments – carrying values</b>		
Credit Europe Bank NV – currency swaps	2,085,352	-
Credit Europe Bank NV – forwards	285,480	-
Credit Europe Bank Suisse – currency options	(251,256)	-
Credit Europe Bank Suisse – accumulated boosted forward transactions	25,391	(5,280,160)
Credit Europe Bank NV– accumulated boosted forward transactions	-	(5,348,234)
	<b>2,144,967</b>	<b>(10,628,394)</b>

For the years ended 31 December, the transactions with the related parties are summarised below:

	2012	2011
<b>Interest income on cash and cash equivalents</b>		
Credit Europe Bank NV	81,553	2,717,049
Credit Europe Bank Suisse	10,107	8,829
Fibabanka AŞ	1,652	-
	<b>93,312</b>	<b>2,725,878</b>
<b>Dividend income</b>		
Girişim Faktoring AŞ	83,675	-
Girişim Varlık Yönetimi AŞ	286	121
Gimrom Holding SA	-	39
	<b>83,961</b>	<b>160</b>



## Fiba Faktoring Anonim Şirketi

Notes to the Financial Statements

As at and for the Year Ended 31 December 2012

(Currency: Turkish Lira ("TL"))

### 25 Related party disclosures (continued)

	2012	2011
<b>Interest expense on loans and borrowings</b>		
Credit Europe Bank NV	3,961,540	7,201,772
Credit Europe Bank Suisse	116,521	8,604
Credit Europe Bank Dubai	132,806	-
	<b>4,210,867</b>	<b>7,210,376</b>
<b>Net trading gain/(loss)</b>		
Credit Europe Bank Suisse	8,818,904	(3,351,673)
Credit Europe Bank NV	5,639,911	(5,238,296)
	<b>14,458,815</b>	<b>(8,589,969)</b>
	<b>2012</b>	<b>2011</b>
<b>Administrative expenses</b>		
Fiba Holding AŞ	13,563	170,877
Fiba Gayrimenkul Gel. İnş. ve Yat. AŞ	9,352	9,871
	<b>22,915</b>	<b>180,748</b>
<b>Donations (included in other expenses)</b>		
Hüsnü Özyeğin University	17,555,000	54,877
Hüsnü Özyeğin Foundation	3,070,493	399,500
AÇEV	2,150,600	2,710
	<b>22,776,093</b>	<b>457,087</b>
<b>Other expenses</b>		
Credit Europe Bank NV	35,489	-
Credit Europe Bank Suisse	31,655	-
Marka Mağazacılık AŞ	20,233	14,629
Anadolu Japan Turizm AŞ	-	4,430
Girişim Varlık Yönetimi AŞ	-	3,431
	<b>87,377</b>	<b>22,490</b>
<b>Other income</b>		
Girişim Faktoring AŞ	6,921	-
	<b>6,921</b>	<b>-</b>

Total benefit of key management for the year ended 31 December 2012 amounted to TL 1,307,724 (31 December 2011: TL 1,803,491).

### 25 Subsequent events

None.