TÜRKİYE İŞ BANKASI A.Ş.
Issue of U.S.$500,000,000 5.50% Notes due 2019
under its U.S.$1,750,000,000 Global Medium Term Note Program
Issue price: 99.467%

The U.S.$500,000,000 5.50% Notes due 2019 (the "*Notes*") are being issued by Türkiye İş Bankası A.Ş., a banking institution organized as a public joint stock company under the laws of Turkey and registered with the İstanbul Trade Registry under number 431112 (the "*Bank*" or the "*Issuer*") under its U.S.$1,750,000,000 Global Medium Term Note Program (the "*Program*").

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*") or any U.S. State securities laws and are being offered: (a) for sale to qualified institutional buyers (each a "*QIB*") as defined in, and in reliance upon, Rule 144A under the Securities Act ("*Rule 144A*") and (b) for sale in offshore transactions to persons who are not US persons in reliance upon Regulation S under the Securities Act ("*Regulation S*"). For a description of certain restrictions on sale and transfer of investments in the Notes, see "*Plan of Distribution*" herein and "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus (as defined under "*Documents Incorporated by Reference*" below).

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "*RISK FACTORS*" HEREIN.

The Notes will bear interest from (and including) October 21, 2013 (the "*Issue Date*") to (but excluding) April 21, 2019 (the "*Maturity Date*") at a fixed rate of 5.50% *per annum*. Interest will be payable in arrear in equal installments on the 21st day of each April and October in each year (each an "*Interest Payment Date*") up to (and including) the Maturity Date; *provided* that if any such date is not a Payment Day (as defined in Condition 7.6), then such payment will be made on the next Payment Day but without any further interest or other payment being made in respect of such delay. Principal of the Notes is scheduled to be repaid on the Maturity Date, but may be repaid earlier under certain circumstances described herein and in the Base Prospectus. For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*" herein.

This Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the "*Prospectus Directive*"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or that are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to its official list (the "*Official List*") and trading on its regulated market (the "*Main Securities Market*"); *however*, no assurance can be given that such application will be accepted. References in this Prospectus to the Notes being "*listed*" (and all related references) shall mean that the Notes have been admitted to the Official List and trading on the Main Securities Market.

Application has been made to the Capital Markets Board of Turkey (the "*CMB*"), in its capacity as competent authority under Law No. 6362 (the "*Capital Markets Law*") of the Republic of Turkey ("*Turkey*") relating to capital markets, for the issuance and sale of the Notes by the Bank outside of Turkey. The Notes cannot be sold before the approved issuance certificate (*ihraç belgesi*) and the approved tranche issuance certificate (*tertip ihraç belgesi*) have been obtained from the CMB. The CMB issuance certificate relating to the issuance of notes under the Program based upon which the offering of the Notes is conducted was obtained on March 19, 2013, and the tranche issuance certificate bearing the approval of the CMB relating to the Notes is expected to be obtained from the CMB on or before the Issue Date.

The Notes are expected to be rated at issuance "BBB" by Fitch Ratings Ltd. ("*Fitch*") and "Baa2" by Moody's Investors Service Limited ("*Moody's*" and, together with Fitch and Standard & Poor's Credit Market Services Europe Limited, the "*Rating Agencies*"). The Bank has also been rated by the Rating Agencies, as set out on page 144 of the Base Prospectus. Each of the Rating Agencies is established in the European Union and is registered under Regulation (EU) No 1060/2009, as amended (the "*CRA Regulation*"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes are being offered under Rule 144A and Regulation S by each of BNP Paribas, Commerzbank Aktiengesellschaft, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Standard Chartered Bank (each an "*Initial Purchaser*" and, collectively, the "*Initial Purchasers*"), subject to their acceptance and right to reject orders in whole or in part. It is expected that: (a) delivery of the Rule 144A Notes will be made in book-entry form only through the facilities of The Depository Trust Company ("*DTC*"), against payment therefor in immediately available funds on the Issue Date (*i.e.*, the sixth Business Day following the date of pricing of the Notes; such settlement cycle being referred to herein as "*T+6*")), and (b) delivery of the Regulation S Notes will be made in book-entry form only through the facilities of Euroclear Bank S.A./N.V. ("*Euroclear*") and/or Clearstream Banking, *société anonyme* ("*Clearstream, Luxembourg*"), against payment therefor in immediately available funds on the Issue Date.

Joint Lead Managers

BNP PARIBAS **Commerzbank** **J.P. Morgan** **Morgan Stanley** **Standard Chartered Bank**

The date of this Prospectus is October 11, 2013.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive. This document does not constitute a prospectus for the purpose of Section 12(a)(2) of, or any other provision of or rule under, the Securities Act.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents are incorporated in, and form part of, this Prospectus.

The Issuer, having made all reasonable enquiries, confirms that: (a) this Prospectus (including the information incorporated herein by reference) contains all information that in its view is material in the context of the issuance and offering of the Notes (or beneficial interests therein), (b) the information contained in, or incorporated by reference into, this Prospectus is true and accurate in all material respects and is not misleading, (c) any opinions, predictions or intentions expressed in this Prospectus (or any of the documents incorporated herein by reference) on the part of the Issuer are honestly held or made by the Issuer and are not misleading in any material respects, and there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions, predictions or intentions misleading in any material respect, and (d) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the fullest extent permitted by law, none of the Initial Purchasers accept any responsibility for the information contained in, or incorporated by reference into, this Prospectus or any other information provided by the Issuer in connection with the Notes or for any statement inconsistent with this Prospectus made, or purported to be made, by an Initial Purchaser or on its behalf in connection with the Notes. Each Initial Purchaser accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements. The Initial Purchasers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

No person is or has been authorized by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Initial Purchasers.

Neither this Prospectus nor any other information supplied in connection with the Notes: (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Initial Purchasers that any recipient of this Prospectus or any other information supplied in connection with the Notes should invest in any Notes. Each investor contemplating investing in the Notes should determine for itself the relevance of the information contained in, or incorporated into, this Prospectus and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer based upon such investigation as it deems necessary.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or any of the Initial Purchasers to any person to subscribe for or purchase, any Notes (or beneficial interests therein). This Prospectus is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Initial Purchasers.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes (or beneficial interests therein) shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

The distribution of this Prospectus and the offer or sale of Notes (or beneficial interests therein) may be restricted by law in certain jurisdictions. The Issuer and the Initial Purchasers do not represent that this Prospectus may be lawfully distributed, or that the Notes (or beneficial interests therein) may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of the Notes (or beneficial interests therein) or distribution of this Prospectus in any jurisdiction in which action for that purpose is required. Accordingly, no Notes (or beneficial interests therein) may be offered or sold, directly or indirectly, and neither: (a) this Prospectus nor (b) any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes (or beneficial interests therein) may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus, any advertisement or other offering material and the offering and sale of Notes (or beneficial interests therein). In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes (or beneficial interests therein) in the United States, the European Economic Area (including the United Kingdom), the Republic of Turkey, Japan, the People's Republic of China (the "*PRC*"), Hong Kong and Switzerland, see "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States and, other than the approvals of the CMB and the Central Bank of Ireland described herein, have not been approved or disapproved by any other securities commission or other regulatory authority in any other jurisdiction, nor have the foregoing authorities (other than the Central Bank of Ireland to the extent described herein) approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the Initial Purchasers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in, or incorporated by reference into, this Prospectus;

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understands thoroughly the terms of the Notes and is familiar with the behavior of financial markets; and

(e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Notes are legal investments for it, (b) the Notes (or beneficial interests therein) can be used by it as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes (or beneficial interests therein). Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of investments in the Notes under any applicable risk-based capital or similar rules.

GENERAL INFORMATION

The Notes have not been and will not be registered under the Securities Act or under the securities or "blue sky" laws of any state of the United States or any other US jurisdiction. Each investor, by purchasing a Note (or a beneficial interest therein), agrees that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the relevant exemptions from the registration requirements thereof described herein and under "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus. Each investor in the Notes also will be deemed to have made certain representations and agreements as described in the Base Prospectus. Any resale or other transfer, or attempted resale or other attempted transfer, of the Notes (or a beneficial interest therein) that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

The Issuer has obtained the approved issuance certificate (*ihraç belgesi*) from the CMB (dated March 19, 2013 No. 29833736-105.03.01-769 (2768)) (the "*CMB Approval*") and the Banking Regulatory and Supervisory Agency approval (dated January 17, 2013 and numbered 20008792.44.2-1497) (together with the CMB Approval, the "*Approvals*") required for the issuance of the Notes. In addition to the Approvals, a tranche issuance certificate (*tertip ihraç belgesi*) in respect of the Notes shall be obtained from the CMB by the Issuer on or before the Issue Date. Pursuant to the Approvals, the offer, sale and issue of the Notes has been authorized and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "*Decree 32*"), the Banking Law numbered 5411 and its related legislation, the Capital Markets Law numbered 6362 and Communiqué Serial II, No. 22 on the Principles on the Registration and Sale of Debt Instruments that was in force at the time the Approvals were obtained or its related regulation. The tranche issuance certificate from the CMB relating to the approval of the issue of the Notes is expected to be obtained on or before the Issue Date.

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Approvals. Under the CMB Approval, the CMB has authorized the offering, sale and issue of the Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made by way of public offering or private placement in Turkey. Notwithstanding the foregoing, pursuant to the BRSA decision dated May 6, 2010 No. 3665 and in accordance with Decree 32, residents of Turkey may purchase or sell Notes (as they are denominated in a currency other than Turkish Lira) (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only. Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Notes (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis; *provided* that such purchase or sale is made through banks or licensed brokerage institutions authorized pursuant to the CMB regulations and the purchase price is transferred through banks. As such, Turkish residents should use banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through banks.

Monies paid for purchases of Notes (or beneficial interests therein) are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the "*SDIF*").

In accordance with Communiqué No. II-31.1 on Debt Instruments (the "*Communiqué on Debt Instruments*"), the Notes are required under Turkish law to be issued in an electronically registered form in the Central Registry Agency (*Merkezi Kayıt Kuruluşu*) (the "*CRA*") and the interests therein recorded in the CRA; *however*, upon the Issuer's request, the CMB may resolve to exempt the Notes from this requirement if the Notes are to be issued outside of Turkey. The Bank submitted an exemption request through its letter to the CMB dated July 1, 2013 numbered 1754 and such exemption was granted by the CMB in its letter to the Bank dated July 30, 2013 numbered 29833736-105.03.01-2414. As a result, this requirement will not be applicable to the Notes issued during the pendency of the CMB Approval. Notwithstanding such exemption, the Issuer is required to notify the CRA within three Turkish business days from the Issue Date of the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

Notes offered and sold to QIBs in reliance on Rule 144A (the "*Rule 144A Notes*") will be represented by beneficial interests in one or more Rule 144A Global Notes (as defined in the Base Prospectus). Notes offered and sold in offshore transactions to persons who are not US persons pursuant to Regulation S (the "*Regulation S Notes*") will be represented by beneficial interests in a Regulation S Global Note (as defined in the Base Prospectus and, together with the Rule 144A Global Note(s), the "*Global Notes*").

The Regulation S Global Note will be deposited on or about the Issue Date with a common depositary (the "*Common Depositary*") for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee of the Common Depositary. Except as described in this Prospectus, beneficial interests in the Regulation S Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect accountholders in Euroclear and Clearstream, Luxembourg. The Rule 144A Global Note(s) will be deposited on or about the Issue Date with The Bank of New York Mellon, New York Branch, in its capacity as custodian (the "*Custodian*") for, and will be registered in the name of Cede & Co. as nominee of, DTC. Except as described in this Prospectus, beneficial interests in the Rule 144A Global Note(s) will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC.

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "*Stabilizing Manager*") (or persons acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; *however*, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules.

Notwithstanding anything herein to the contrary, the Bank may not (whether through over-allotment or otherwise) issue more Notes than have been authorized by the CMB.

In this Prospectus, "*Bank*" means Türkiye İş Bankası A.Ş. on a standalone basis and "*Group*" means the Bank and its subsidiaries (and with respect to accounting information, its consolidated entities).

In this Prospectus, all references to "*Turkish Lira*" and "*TL*" refer to the lawful currency for the time being of the Republic of Turkey, "*euro*" and "*€*" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended and "*U.S. Dollars*", "*U.S.$*" and "*$*" refer to United States dollars.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

TABLE OF CONTENTS

RISK FACTORS

Prospective investors in the Notes should consider carefully the information contained in this Prospectus and the documents which are incorporated herein by reference, and in particular should consider all the risks inherent in making such an investment, including the information under the heading "*Risk Factors*" on pages 13 to 43 (inclusive) of the Base Prospectus (the "*Program Risk Factors*"), before making a decision to invest. In investing in the Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in the Program Risk Factors a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. In addition, a number of factors which are material for the purpose of assessing the market risks associated with the Notes are also described in the Program Risk Factors.

In addition, for purposes of the Notes the Program Risk Factors shall be deemed to be revised as follows:

(a) the first sentence of the first paragraph of "*Risk Factors - Political, Economic and Legal Risks relating to Turkey – High Current Account Deficit*" in the Base Prospectus is hereby deleted and replaced by the following: "In 2010, the Turkish current account deficit was US$45.4 billion, which increased to US$75.1 billion in 2011 before decreasing to US$47.8 billion in 2012 according to the Central Bank.",

(b) the first two sentences of the last paragraph of "*Risk Factors - Political, Economic and Legal Risks relating to Turkey – High Current Account Deficit*" in the Base Prospectus are hereby deleted and replaced by the following: "The decline in the current account deficit experienced in 2012 came to an end in early 2013, with (due to the recovery in domestic demand) the annualized current account deficit increasing to US$54.0 billion as of June 2013. The Bank's management expects this to be followed by a period of gradual increases until the end of the year in parallel with the recovery in domestic demand compared to 2012. As the value of the Turkish Lira decreases (having exceeded 2.0 TL/USD in August, a depreciation of approximately 15% in the first eight months of 2013), the cost of importing oil and other goods and services might increase while the value of exports might also increase, resulting in potential increases or decreases in the current account deficit. The decrease in the value of the Turkish Lira principally reflects changes in the global flow of funds caused by the expected reduction by the U.S. Federal Reserve in its expansionary monetary policy. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank has recently taken certain actions to maintain price and financial stability. For example, in meetings in July and August 2013, the Central Bank increased the upper band of the interest rate corridor (the lending rate) from 6.5% to 7.25% and then 7.75% and also announced that there will be no funding to banks via the primary dealer repo facility on additional monetary tightening days. Such actions by the Central Bank and similar or other actions that it might take in the future might not be successful in reducing the current account deficit.",

(c) the last sentence of the first paragraph of "*Risk Factors - Political, Economic and Legal Risks relating to Turkey – Exchange Rates*" in the Base Prospectus is hereby deleted and replaced by the following: "According to the Central Bank, the CPI-based real effective exchange rate increased from 109.63 as of December 31, 2011 to 118.18 as of December 31, 2012, indicating a 7.8% real appreciation.",

(d) the first sentence of the second paragraph of "*Risk Factors - Political, Economic and Legal Risks relating to Turkey – Exchange Rates*" in the Base Prospectus is hereby deleted and replaced by the following: "As of May 31, 2013, in nominal terms the Turkish Lira had depreciated against the US Dollar by 4.7% compared to year-end 2012; *however*, on a real basis, based upon the CPI-based real effective exchange rate, there was a 1.4% real appreciation compared to year-end 2012.",

(e) the following sentence is hereby inserted as a new third sentence of the last paragraph of "*Risk Factors - Political, Economic and Legal Risks relating to Turkey – Exchange Rates*" in the Base Prospectus: "In addition, rising geopolitical risks due to recent developments in Syria have (*inter alia*) contributed to increased volatility in the value of the Turkish Lira, which as of August 29, 2013 had depreciated by 10.2% since May 31, 2013 in nominal terms (15.3% since December 31, 2012).",

(f) the second sentence of "*Risk Factors - Political, Economic and Legal Risks relating to Turkey – Government Default*" in the Base Prospectus is hereby deleted and replaced in its entirety with the following: "As of December 31, 2012, 94.1% of the Group's total securities portfolio (21.0% of its total assets and equal to 169.5% of its shareholders' equity) was invested in securities issued by the Turkish government (93.7%, 18.1% and 163.6%, respectively, as of June 30, 2013) and 1.7% of the Group's total assets were used to make loans to Turkish governmental and state-controlled entities.",

(g) The risk factor entitled "*Political, Economic and Legal Risks Relating to Turkey – Terrorism and Conflicts*" in the Base Prospectus is hereby deleted in its entirety and replaced by the following:

Political uncertainty within Turkey and in certain neighboring countries, such as Iran, Iraq, Georgia, Armenia and Syria, has historically been one of the potential risks associated with investment in Turkish companies. Political instability in the Middle East and elsewhere remains a concern, most recently exemplified by the internal conflict in Syria, tensions between Iran and Israel and an economic and currency crisis in Iran. The conflict in Syria has gained increased international attention recently, including calls by several Western nations for military intervention. While such calls have been subject to broad international opposition, the continuing conflict is inherently volatile and its impact and resolution is difficult to predict. Turkey has also experienced problems with domestic terrorist and ethnic separatist groups. For example, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly the known as the PKK (an organization that is listed as a terrorist organization by states and organizations including Turkey, the EU and the United States). In early October 2012 Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On October 4, 2012, the Turkish Parliament authorized the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government. On February 1, 2013, a suicide bomber attacked the U.S. Embassy in Ankara killing himself and others. On May 11, 2013, two car bombs exploded in the Reyhanlı district of the southern province of Hatay, resulting in the deaths of 52 people and significant additional casualties. The Taksim Square protests have also contributed to recent volatility in the Turkish financial markets. Such circumstances and domestic terrorist attacks have had and could continue to have a material adverse effect on the Turkish economy and the Group's business, financial condition and/or results of operations.

(h) the second sentence of "*Risk Factors – Risks Relating to the Group and its Business – Foreign Exchange and Currency Risk*" in the Base Prospectus is hereby deleted and replaced in its entirety with the following: "For example, the Group had loans denominated in currencies other than the Turkish Lira totaling the equivalent of TL 38,635 million, TL 42,073 million and TL 50,140 million as of December 31, 2011, December 31, 2012 and June 30, 2013, respectively, representing 39.0%, 36.7% and 37.4%, respectively, of the Group's total loans at such dates.",

(i) the penultimate sentence of "*Risk Factors – Risks Relating to the Group and its Business – Interest Rate Risk*" in the Base Prospectus is hereby deleted and replaced in its entirety with the following: "In addition, as of June 30, 2013, 93.7% of the Group's securities portfolio consisted of Turkish government debt securities, which accounted for 18.1% of the Group's total assets.",

(j) the following sentence is hereby inserted before the last sentence of the first paragraph of "*Risk Factors – Risks Relating to the Group and its Business – SME/Retail Concentration Risk*" in the Base Prospectus: "As of June 30, 2013: (a) 55.0% of the Bank's loan portfolio consisted of retail loans and loans to SMEs (as defined by the BRSA SME Definition), with retail loans accounting for 27.5% of the Bank's total loan portfolio, and loans to SMEs (as defined by the BRSA SME Definition) accounting for 27.5%, (b) the Group's NPL ratio for the first six months of 2013 was 1.8%, (c) the Bank's non-performing loans to SMEs (as defined in the BRSA SME Definition) accounted for 2.4% of total NPLs and (d) the Group's NPL ratio for retail loans (which consist of consumer loans, overdrafts and credit cards) was 2.4%.",

(k) the following sentence is hereby inserted as a new second sentence of the first paragraph of "*Risk Factors – Risks Relating to the Group and its Business – Reduction in Earnings on Investment Portfolio*" in the Base Prospectus: "As of June 30, 2013, those numbers were 25.0% and 15.9%, respectively.",

(l) the second paragraph of "*Risk Factors - Risks Relating to the Group and its Business – Banking Regulatory Matters*" in the Base Prospectus is hereby deleted in its entirety and replaced by the following: "In the future, Turkish banks' capital adequacy requirement will be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented between 2014 and 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated September 5, 2013 and numbered 28756, adopted the Regulation on the Equities of Banks and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which will enter into effect on January 1, 2014. The Regulation on the Equities of Banks introduces core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier I capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) change the risk weights of certain items that are categorized under "other assets." The new Regulation on the Equities of Banks has also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

In addition to these new regulations: (a) a draft Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, was made available by the BRSA for public review, (b) the BRSA published its draft Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA would seek to constrain leverage in the banking system and maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), and (c) in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA has published a draft regulation on a liquidity coverage ratio. These new regulations and draft regulations imply possible implementation of Basel III as early as the beginning of 2014. If these or any other capital adequacy-related revisions are adopted and the Bank and/or the Group is unable to maintain its capital adequacy ratios above the minimum levels required by the BRSA (whether due to its inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Group's business, financial condition and/or results of operations. Please see "*Turkish Regulatory Environment*" below for further discussion on Basel III."

Corresponding amendments shall also be deemed to have been made in the last paragraph of the section of the Base Prospectus entitled: "*Risk Management – Capital Adequacy*" and in the sections of the Base Prospectus entitled: "*Turkish Regulatory Environment – Capital Adequacy*" and "*Turkish Regulatory Environment – Basel III*.",

(m) the last paragraph of "*Risk Factors* - *Risks Relating to the Group and its Business – Banking Regulatory Matters*" in the Base Prospectus is hereby deleted in its entirety and replaced by the following: "As applicable to all other enterprises in Turkey, the Bank is also subject to competition and antitrust laws. In November 2011 the Turkish Competition Board initiated an investigation against the Bank and 11 other banks operating in Turkey with respect to allegations of acting in concert regarding interest rates and fees on deposits, loans and credit card services. On March 8, 2013, the Competition Board ruled that the Bank was to be fined TL 147 million (other banks were also fined, ranging from TL 10 million to TL 213 million, with fines generally based upon net income) in connection with this investigation. The Bank paid three quarters of this administrative penalty (*i.e.*, TL 110 million), in accordance with the provisions of law permitting a 25% reduction if paid within 30 days after the Bank's receipt of the final decision. The Bank has objected to this decision through proceedings in the administrative courts. While there is no precedent Turkish court decision approving the legal validity of any such claims by customers and there are not any resolved cases opened by any customers against the Bank in this respect, under articles 57 and 58 of the Law on the Protection of Competition customers may be able to bring claims against the Bank seeking damages. See also "*Business of the Group – Legal Proceedings*."

Corresponding amendments shall also be deemed to have been made in the section of the Base Prospectus entitled: "*Business of the Group – Legal Proceedings*.",

(n) in "*Risk Factors – Risks Relating to the Group and its Business –Corporate Governance*" in the Base Prospectus, the last five sentences of the first paragraph are hereby deleted in their entirety and replaced by the following: "Accordingly, the Bank established a Corporate Governance Committee at its board meeting on February 27, 2013 and the General Assembly appointed an independent member to the Bank's board of directors. According to the February 22, 2013 amendment to the Corporate Governance Communiqué, members of a bank's audit committee are regarded as independent board members; thus, as of the date hereof the Bank has three independent members of the board of directors (two of which are members of its Audit Committee). The Bank is subject to the Corporate Governance Principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. Where the Bank does not comply with any of the non-mandatory principles applicable to it under the Corporate Governance Communiqué, it will describe any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of the Bank's annual report. Should the Bank fail to comply with any mandatory obligations, then it may be subject to fines or other penalties.",

(o) in "*Risk Factors – Risks Relating to the Group and its Business –Audit Qualification*" in the Base Prospectus: (a) the references to "first quarter" shall be deleted and replaced with "first half", (b) the reference to March 31, 2013 shall be deleted and replaced with "June 30, 2013" and (c) the following sentence will be added at the end of the last paragraph: "Under the Regulation on the Equities of Banks, which will enter into effect on January 1, 2014, there is no 25% threshold in respect of provisions for calculation of the capital adequacy ratio and instead it is stated that the BRSA is authorized to limit the provisions that may be taken into consideration in calculating a bank's capital adequacy ratio.",

(p) in "*Risk Factors – Risks Relating to the Group and its Business – Large Shareholders*" in the Base Prospectus, the reference to March 31, 2013 shall be deleted and replaced with "June 30, 2013", and

(q) in "*Risk Factors – Risks related to the structure of a particular issue of Notes – Transfer Restrictions*" in the Base Prospectus, the second paragraph is hereby deleted.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Prospectus:

(a) the sections of the Base Prospectus (the "*Base Prospectus*") of the Bank dated July 19, 2013 (as supplemented on August 16, 2013), relating to the Program, entitled as set out in the table below:

	Page references (inclusive)
Cautionary Statement Regarding Forward-Looking Statements	4 to 5
Notice to New Hampshire Residents	5 to 6
U.S. Information	6
Circular 230 Disclosure	7
Available Information...	7
Presentation of Financial and Other Information...	7 to 11
Risk Factors	13 to 43
Enforcement of Judgments and Service of Process	44
Overview of the Group and the Program	46 to 55
Form of the Notes	56 to 60
Terms and Conditions of the Notes..	72 to 104
Use of Proceeds	105
Summary Financial and Other Data...	106 to 108
Capitalization of the Group..	109
Business of the Group..	110 to 145
Risk Management	146 to 159
Management...	160 to 169
Ownership..	170 to 172
Related Party Transactions	173
Turkish Banking System..	174 to 178
Turkish Regulatory Environment	179 to 200
Book-Entry Clearance Systems	201 to 205
Taxation	206 to 209
Certain Considerations for ERISA and other US Employee Benefit Plans ..	210
Subscription and Sale and Transfer and Selling Restrictions	211 to 221
Appendix 1 – Overview of Significant Differences Between IFRS and BRSA Accounting Principles	226 to 227

(b) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group for each of the years ended December 31, 2012, 2011 and 2010;

(c) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank for each of the years ended December 31, 2012, 2011 and 2010;

(d) the independent auditors' audit reports and audited consolidated IFRS Financial Statements of the Group for each of the years ended December 31, 2012, 2011 and 2010;

(e) the independent auditors' review report and unaudited interim consolidated BRSA Financial Statements of the Group for each of the six month periods ended June 30, 2013 and 2012; and

(f) the independent auditors' review report and unaudited interim unconsolidated BRSA Financial Statements of the Bank for each of the six month periods ended June 30, 2013 and 2012.

With respect to each of the BRSA Financial Statements and IFRS Financial Statements noted in clauses (b) through (f) above, please see "*Other General Information – Auditors*" below.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of the Notes.

Any statement contained in a document that is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein or in any other document incorporated by reference herein, or in any supplement, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus are available on the Bank's website at:

(a) http://www.isbank.com.tr/English/content/EN/Offering_Global_Medium_Term.aspx (with respect to the Base Prospectus);

(b) http://www.isbank.com.tr/English/content/EN/First_Supplement.aspx (with respect to the August 16, 2013 supplement to the Base Prospectus);

(c) http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_bank-only-406-401.aspx (with respect to the unconsolidated BRSA Financial Statements);

(d) http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_consolidated-407-401.aspx (with respect to the consolidated BRSA Financial Statements); and

(e) http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/IFRS_fully_consolidated-405-401.aspx (with respect to the consolidated IFRS Financial Statements).

Where only parts of a document are being incorporated by reference, the non-incorporated parts of that document are either not relevant for the investor or covered elsewhere in this Prospectus.

The contents of any website referenced in this Prospectus do not form part of (and are not incorporated into) this Prospectus.

OVERVIEW OF THE OFFERING

The following sets out certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. The following is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus (including in the Base Prospectus). See, in particular, "Terms and Conditions of the Notes" set out on pages 72 – 104 of the Base Prospectus.

Issue: U.S.$500,000,000 5.50% Notes due 2019 issued under the U.S.$1,750,000,000 Global Medium Term Note Program of the Bank.

Interest and Interest Payment Dates: The Notes will bear interest from and including the Issue Date (*i.e.*, October 21, 2013) at the rate of 5.50% *per annum*, payable semi-annually in equal installments in arrear on each Interest Payment Date (*i.e.*, April 21 and October 21 in each year); *provided* that, as described in Condition 7.6, if any such date is not a Payment Day, then such payment will be made on the next Payment Day but without any further interest or other payment being made in respect of such delay. The first interest payment (representing a full six months of interest) will be made on the first Interest Payment Date.

Maturity Date: Unless previously redeemed or purchased and cancelled as provided in the Conditions, the Notes will be redeemed by the Bank at their principal amount on the Maturity Date (*i.e.*, April 21, 2019).

Use of Proceeds: The net proceeds of the offering of the Notes will be used by the Bank for general corporate purposes.

Status: The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Bank and (subject as provided above) will rank *pari passu* without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Bank, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Negative Pledge: Subject to certain exceptions set out in Condition 4, so long as any Note remains outstanding, the Bank will not create or have outstanding any Security Interest (as defined in Condition 4) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness unless the Bank, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that: (a) all amounts payable by it under the Notes are secured by the Security Interest equally and ratably with the Relevant Indebtedness, (b) such Security Interest is terminated or (c) such other Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

See "*Terms and Conditions of the Notes – Condition 4*" in the Base Prospectus.

Certain Covenants:	The Bank will agree to certain covenants, including covenants limiting transactions with affiliates. See "*Terms and Conditions of the Notes – Condition 5*" in the Base Prospectus for the details of such covenants and the exceptions to them.
Taxation (Payment of Additional Amounts):	All payments in respect of the Notes by or on behalf of the Bank will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("*Taxes*"), imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Bank will (subject to certain exceptions set out in Condition 9) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction will equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. See "*Taxation – Certain Turkish Tax Considerations*" and "*Terms and Conditions of the Notes – Condition 9*" in the Base Prospectus. All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA or any law implementing an intergovernmental approach to FATCA, as provided in Condition 7.1 and, in accordance with Condition 9.1, no additional amount will be payable by the Issuer in respect of any such withholding or deduction.
Optional Redemption for Tax Reasons:	The Notes may be redeemed at the option of the Bank in whole, but not in part, at any time at their principal amount (together with interest accrued to but excluding the date of redemption) if:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after October 11, 2013, on the next Interest Payment Date, the Bank would be required to:

(i) pay additional amounts as provided or referred to in Condition 9, and

(ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on October 11, 2013, and

(b) such requirement cannot be avoided by the Bank taking reasonable measures available to it.

Events of Default:	The Notes will, subject to customary grace periods and exceptions set out in Condition 11, be subject to certain events of default, including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See "*Terms and Conditions of the Notes – Condition 11*" in the Base Prospectus.
Form, Transfer and Denominations:	Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Regulation S Global Note in registered form, without interest coupons attached, which will be deposited with the Common Depositary and registered in the name of a nominee of the Common Depositary. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Rule 144A Global Note(s), each in registered form, without interest coupons attached, which will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, certificates for the Notes will not be issued to investors in exchange for beneficial interests in the Global Notes. Interests in the Global Notes will be subject to

	certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus. Interests in the Regulation S Global Note will be represented in, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg (or their respective direct or indirect accountholders, as applicable). Interests in the Rule 144A Global Note(s) will be represented in, and transfers thereof will be effected only through, records maintained by DTC (or its direct or indirect participants, as applicable). Notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
ERISA:	Subject to certain conditions, the Notes may be invested in by an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), a "plan" as defined in and subject to Section 4975 of the Code, or any entity whose underlying assets include "plan assets" of any of the foregoing. See "*Certain Considerations for ERISA and other US Employee Benefit Plans*" in the Base Prospectus.
Governing Law:	The Notes, the Agency Agreement, the Deed Poll and the Deed of Covenant and any non-contractual obligations arising out of or in connection with the Notes, the Agency Agreement, the Deed Poll and the Deed of Covenant are (or will be, as applicable) governed by, and construed in accordance with, English law.
Listing and admission to trading:	Application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted.
Turkish Selling Restrictions:	The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in Turkey in accordance with applicable CMB and BRSA laws and regulations. See "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions - Turkey*" in the Base Prospectus.
Other Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws and beneficial interests therein may not be offered or sold within the United States or to, or for the account or benefit of, any US person

	(as defined in Regulation S under the Securities Act) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) is also subject to restrictions in the European Economic Area (including the United Kingdom), Japan, the PRC, Hong Kong and Switzerland. See "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions*" in the Base Prospectus.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfill its obligations under the Notes. These are set out under "*Risk Factors*" in the Base Prospectus and include risks relating to the Group and its business, the Group's relationship with the Issuer's principal shareholders, Turkey and the Turkish banking industry. In addition, there are certain other factors which are material for the purpose of assessing the risks associated with the Notes, including certain market risks. See "*Risk Factors*".
Issue Price:	99.467% of the principal amount of the Notes.
Yield:	5.614% *per annum*.
Regulation S Global Notes Security Codes:	ISIN: XS0982644774 Common Code: 098264477
Rule 144A Global Notes Security Codes:	CUSIP: 900151 AE1 ISIN: US900151AE10 Common Code: 098278257
Representation of Noteholders:	There will be no trustee.
Expected Ratings:	"BBB" by Fitch and "Baa2" by Moody's.
Fiscal Agent and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Registrar, Transfer Agent and Paying Agent:	The Bank of New York Mellon (Luxembourg) S.A.
United States Paying Agent and Transfer Agent:	The Bank of New York Mellon, New York Branch

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial position and results of operations of the Group covers the six months ended June 30, 2012 and 2013 and the financial years ended December 31, 2010, 2011 and 2012. Unless otherwise specified, the financial information presented in this discussion has been extracted from the BRSA Financial Statements for such periods without material adjustment. This section should be read in conjunction with such BRSA Financial Statements and the notes thereto and the other financial information included in (including incorporated by reference in) this Prospectus (including the section entitled "*Presentation of Financial and Other Information*" in the Base Prospectus). The BRSA Financial Statements for such periods have been prepared in accordance with BRSA regulations as described in "*Presentation of Financial and Other Information*" in the Base Prospectus. For a discussion of current significant differences between the BRSA Financial Statements and IFRS Financial Statements, see Appendix 1 ("*Overview of Significant Differences Between IFRS and BRSA Accounting Principles*") to the Base Prospectus.

The BRSA Financial Statements incorporated by reference herein, all of which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA financial statements (which translations the Bank confirms were direct and accurate). The English language BRSA Financial Statements were not prepared for the purpose of their incorporation by reference herein.

Certain information contained in the discussion and analysis set forth below and elsewhere in this Prospectus includes "forward-looking statements." Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the section entitled "*Cautionary Statement Regarding Forward-Looking Statements*" in the Base Prospectus.

The Group's financial condition and results of operations depend significantly upon the macro-economic conditions prevailing in Turkey and prospective investors should consider the factors set forth under "*Risk Factors – Risks Related to the Group's Business*" and "*Risk Factors – Risks Related to Turkey*" in the Base Prospectus.

The discussion and analysis of the financial position and results of operations of the Group in this Prospectus are based upon the BRSA Financial Statements. The Group prefers to present its financial condition and performance on the basis of the BRSA Financial Statements in order to focus on the banking and other financial operations in detail, since (unlike IFRS Financial Statements) the consolidated BRSA Financial Statements do not consolidate the Bank's non-financial participations. In addition, because the Group has historically presented its BRSA Financial Statements to investors and potential investors and uses such financials for regulatory requirements, the Bank's management believes that providing BRSA financial data in this Prospectus will provide for a consistent presentation of the Group's financial performance.

Overview

The Group provides a full range of banking services, principally in Turkey, including corporate banking, commercial banking, retail banking, private banking and capital market operations. The Group operates in a highly-competitive banking market in Turkey. As of June 30, 2013, 49 banks were operating in Turkey, 32 of which were deposit-taking banks, 13 of which were investment and development banks and four of which were participation banks, which conduct their business under different legislation in accordance with Islamic banking principles. Of the deposit banks, 16 were private foreign banks, 12 were private domestic banks, three were government-owned banks and one was under the supervision of the SDIF. As of June 30, 2013, the Bank had the largest nationwide branch and ATM network among private sector banks in Turkey, with 1,263 domestic branches, 20 international branches and over 5,267 domestic ATMs (sources: Turkish Banks Association and Interbank Card Center).

As of June 30, 2013, the Group's capital adequacy ratio was 14.7% (12.5% when calculated using Tier I capital only) calculated in accordance with the Basel II rules that came into effect on July 1, 2012. See "–*Capital Adequacy*" below. As of the same date, the Group's shareholders' equity was TL 28,288 million, its liquid asset ratio (being the total amount of cash and balances with banks, money market placements, trading securities and available-for-sale securities *divided by* the Group's total assets) was 25.0% and its cash loan to deposit ratio was 117.0%. The Group's net operating income was TL 3,916 million in 2010, TL 3,088 million in 2011, TL 4,661 million in 2012 and TL 2,369 million for the six months ended June 30, 2013 (TL 2,236 million for the six months ended June 30, 2012), while its net period profit from continuing operations was TL 3,232 million in 2010, TL 2,389 million in 2011, TL 3,715 million in 2012 and TL 1,906 million for the six months ended June 30, 2013 (TL 1,789 million for the six months ended June 30, 2012).

As of June 30, 2013, the Bank was the largest bank in Turkey in terms of total assets, total loans, Turkish Lira-denominated loans, foreign currency-denominated loans, foreign currency-denominated deposits and total shareholders' equity and had the largest market shares of total deposits, Turkish Lira-denominated deposits, demand deposits, number of debit cards and volume of debit cards transactions among private sector banks (sources: BRSA and Interbank Card Center).

With its domestic Turkish focus and size and scope of operations, the Group's financial condition and results of operations have been significantly impacted by the Turkish economy, the real GDP of which increased at a compound annual growth rate of 4.4% between 2000 and 2008 according to TurkStat. Real GDP growth slowed to 0.7% in 2008 and then declined by 4.8% in 2009, but significantly rebounded in 2010 (9.2%) and 2011 (8.8%); *however*, real GDP growth slowed to 2.2% in 2012 due in part to governmental efforts to slow the economy and the continuing impact of global macro-economic conditions. Turkey's real GDP grew by 3.7% in the six months ended June 30, 2013 compared to the same period in 2012.

As of June 30, 2013, the Group had total assets of TL 221,252 million, an increase of 10.0% from TL 201,075 million as of December 31, 2012, itself a 9.3% increase from TL 183,936 million as of December 31, 2011 (a 22.0% increase from TL 150,811 million as of December 31, 2010). As of June 30, 2013, the Group had total deposits of TL 114,646 million, an increase of 8.1% from TL 106,011 million as of December 31, 2012, itself a 7.3% increase from TL 98,832 million as of December 31, 2011 (a 11.7% increase from TL 88,477 million as of December 31, 2010). Accordingly, the Bank's management believes that the Group's strong balance sheet has supported its ability to attract a strong deposit base, even through the global financial crisis, and benefitted from a "flight to quality" during difficult market conditions, with deposits continuing to grow for each of the periods under review.

The Bank's loan portfolio grew from TL 64,232 million as of December 31, 2010 to TL 91,621 million as of December 31, 2011, TL 106,716 million as of December 31, 2012 and TL 125,770 million as of June 30, 2013, a growth rate of 42.6% in 2011, 16.5% in 2012 and 17.4% for the six months ended June 30, 2013. While the Bank's policy was historically to provide fully (at a rate of 100%) for its non-performing loan portfolio, since the third quarter of 2012 the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulation. For additional information on regulatory requirements for provisioning, see "*Business of the Group – Loan Classification and Provisioning Policy*," "*Risk Factors – Banking Regulatory Matters*" and "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus. The Bank's NPL ratios were 1.8%, 1.9%, 2.1% and 3.6% as of June 30, 2013 and December 31, 2012, 2011 and 2010, respectively (see "*Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisioning for Impaired Loans*").

As of June 30, 2013, 37.4% of the Group's performing loans and 39.7% of the Group's total deposits were denominated in foreign currencies, principally U.S. Dollars and Euro.

Recent Developments

New Credit Card and Provisioning Regulations

In August 2013 the BRSA published a draft of proposed new measures to restrain credit card usage. The proposed rules would: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit for credit cards issued to consumers with an income of TL 1,000 a month or less, (c) require credit card issuers to monitor cardholders' income levels regularly, (d) increase the risk weight for installment payments of credit cards with a term: (i) between one and six months from 75% to 100%, (ii) between six and twelve months from 150% to 200% and (iii) greater than 12 months from 200% to 250% and (e) increase the minimum monthly payment required to be made by cardholders. While (if adopted) the effective date and final nature of these new regulations are not known, any such changes might result in slowing the growth and/or reducing the profitability of the Bank's credit card business.

In the interim period before the expected adoption of the draft regulation explained above, the BRSA (through the Regulation Amending the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks published in the Official Gazette dated October 8, 2013 and numbered 28789) introduced certain elements of the proposed new measures. These amendments increase the risk weighting for installment payments of credit cards having an outstanding maturity: (a) between one and six months from 75% to 100%, (b) between six and twelve months from 150% to 200% and (c) greater than 12 months from 200% to 250%.

The Regulation Amending the Regulation on Provisions and Classification of Loans and Receivables, which was published in the Official Gazette dated October 8, 2013 and numbered 28789, reduced the general reserve requirements for cash and non-cash loans provided for export purposes and obtained by SMEs: (a) for cash export loans and non-cash export loans, from 1% and 0.2%, respectively, to 0%, (b) for cash SME loans and non-cash SME loans, from 1% and 0.2% to 0.5% and 0.1%, respectively, (c) for export loans whose loan conditions will be amended in order to extend the first payment schedule, from 5% to 0%, and (d) for SME loans whose loan conditions will be amended in order to extend the first payment schedule, from 5% to 2.5%. In addition, this regulation altered the requirements for calculating consumer loan provisions by: (i) increasing the ratio of consumer loans to total loans beyond which additional consumer loan provisions are required from 20% to 25% and (ii) requiring the inclusion of auto loans in the calculation of the ratio of non-performing consumer loans to total consumer loans ratio (if such ratio is beyond 8%, which ratio was not altered by these amendments, additional consumer loans provisions are required).

Branch Openings

The Bank opened 32 new domestic branches during the first six months of 2013 and is currently planning on opening 60 domestic branches during all of 2013.

Executive Management

On August 1, 2013, Mr. Serdar Gençer, then one of the Bank's Deputy Chief Executives, was assigned to Türkiye Şişe ve Cam Fabrikaları A.Ş., one of the Bank's largest non-financial participations.

Significant Factors Affecting the Group's Financial Condition and Results of Operations

The Group's financial condition, results of operations and prospects depend significantly upon the macro economic conditions prevailing in Turkey as well as other factors. The impact of these and other potential factors may vary significantly in the future and many of these factors are outside the control of the Group. Prospective investors should (among other things) consider the factors set forth under "*Cautionary Statement Regarding Forward-Looking Statements*" in the Base Prospectus and "*Risk Factors.*" The following describes the most significant of such factors since the beginning of 2010.

Turkish Economy

The majority of the Group's operations are in Turkey, and its business and results of operations are significantly affected by general economic conditions in Turkey. As of June 30, 2013, 93.2% of the Group's total assets were in Turkey. Accordingly, the Group's results of operations and financial condition have been and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the rate of inflation and fluctuations in exchange and interest rates. The economic contraction in Turkey beginning in 2008 and reaching its peak in 2009 limited lending growth and caused a decline in asset quality in the Turkish banking sector. The Group's operations experienced a similar trend, with the Group limiting its lending activities and increasing the stringency of its lending and credit policies; *however*, starting in 2010 there was a rapid recovery in lending growth and NPL ratios displayed a declining trend both for Turkish financial institutions as a whole and for the Group's operations in particular, although this trend may stabilize. In 2011, the Central Bank increased its funding rates and reserve requirement rates in order to suppress loan growth and moderate the growth of the Turkish economy. In 2012, Basel II took effect and had a similar impact due to the additional capital requirements applying to certain types of credit exposures and other controls imposed under Basel II. After a mild economic slowdown, the Central Bank started to loosen monetary policy in the second half of 2012 and domestic demand started to recover in the first quarter of 2013; *however*, capital inflows have weakened since May 2013 due to uncertainties regarding global monetary policies (particularly those in the United States) and as a result the Central Bank has tightened monetary policy in order to support financial stability.

The following table provides certain macro-economic indicators for Turkey, including real GDP, inflation rates and the Central Bank's overnight TL interest rate for each of the indicated periods:

	2008	2009	2010	2011	2012	For the six months ended June 30, 2013[1]
Nominal GDP at current prices (TL millions)	950,534	952,559	1,098,799	1,297,713	1,416,817	740,134
Real GDP growth	0.7%	(4.8)%	9.2%	8.8%	2.2%	3.7%
Deficit/surplus of consolidated budget/GDP	(1.8)%	(5.5)%	(3.6)%	(1.4)%	(2.1)%	NA
Consumer Price Inflation[2]	10.1%	6.5%	6.4%	10.5%	6.2%	8.3%
Producer Price Inflation[2]	8.1%	5.9%	8.9%	13.3%	2.5%	5.2%
Central Bank overnight TL interest rate, period-end[3]	15.00%	6.50%	1.50%	5.00%	5.00%	3.50%
Refinancing rate of the Central Bank, period-end	17.5%	9.0%	9.0%	12.5%	9.00%	6.50%
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar[4]	(29.8)%	0.4%	(2.7)%	(23.3)%	6.5%	(8.1)%
CPI-based real effective exchange rate appreciation (depreciation) (2003=100)	(12.7)%	1.7%	7.7%	(12.9)%	7.8%	(2.5)%
Total gross gold and international currency reserves, period-end (U.S. Dollars, millions)	73,347	73,358	85,960	88,218	120,290	122,566

Sources: TurkStat for nominal GDP at current prices, real GDP growth, inflation, Turkish Ministry of Finance, General Directorate of Public Accounts, for deficit/surplus of consolidated budget and Central Bank for reference overnight interest rate, refinancing rate, nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar, real effective exchange rate and total gross gold and international currency reserves.

(1) GDP growth, inflation, nominal depreciation of the Turkish Lira against the U.S. Dollar and real effective exchange rate are presented on the basis of the six months ended June 30, 2013 compared against the six months ended June 30, 2012.

(2) Annual percentage change of the applicable index (the percentage change of the applicable index in June 2013 is compared to June 2012).

(3) The overnight borrowing rate announced by the Central Bank. Starting from 2010, the Central Bank announces the weekly repo lending rate as the reference rate, which was 4.50% as of June 30, 2013, 5.50% as of December 31, 2012, 5.75% as of December 31, 2011 and 6.50% as of December 31, 2010.

(4) Central Bank buying rates.

Interest Rates

One of the primary factors affecting the Group's profitability is the level of, and fluctuations in, interest rates in Turkey, which in turn influence the return on the Group's securities portfolio and its loan and deposit rates. Interest earned and paid on the Group's assets and liabilities reflects, to a certain degree, actual inflation, inflation expectations, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates. Although the impact of decreasing interest rates earned on assets has had a direct and material impact on the Group's profitability, and the Group was further negatively affected by competitive pressures from both the public and private sector banks to raise or maintain interest rates on deposits in order to attract and retain depositors, the Group has utilized alternative sources for raising funds with lower costs compared to deposits, thereby mitigating this competitive pressure.

Because the Group's interest-bearing liabilities (principally deposits) generally re-price faster than its interest-earning assets, changes in the short-term interest rates in the economy generally are reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio may increase and its interest margins can improve), but can also be negatively impacted (for example, through the decline in net interest margins on assets funded by 0% interest rate demand deposits). On the other hand, when short-term rates increase, the Group's interest margin is generally negatively affected as it will generally pay higher interest rates on its interest-bearing liabilities before it can modify the rates of its interest-earning assets. An increase in long-term rates generally has at least a short-term negative effect on the Group's net interest margin because its interest-earning assets generally have a longer re-pricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest. In addition, rising interest rates are expected to reduce the value of the Group's existing securities investment portfolio while ultimately being expected to result in increased interest income on additional assets included in this portfolio.

As of June 30, 2013 and December 31, 2012, 2011 and 2010, approximately 41.6%, 43.2%, 43.7% and 41.4% (respectively) of the Bank's loans and 46.4%, 48.7%, 46.8% and 41.3% (respectively) of the Bank's interest-earning assets were at floating rates. The fixed/floating composition of the

Group's assets and liabilities is mainly determined by general market trends and customer demands. As a result, due to the highly competitive banking environment, the Group's ability to change the naturally established composition of loans and deposits is limited. On the other hand, the Group tries to diversify its securities portfolio in terms of maturity and re-pricing periods in order to balance the duration mismatch of the entire balance sheet. In addition, the Group uses derivatives for hedging purposes to keep the duration mismatch of the balance sheet within the limits established by the Board of Directors.

The Group's interest income is primarily comprised of: (a) interest earned on its loan portfolio (TL 10,130 million, or 69.0% of total interest income, in 2012; TL 5,172 million and 72.2% in the six months ended June 30, 2013) and (b) interest earned from its securities portfolio (TL 4,135 million, or 28.2% of total interest income, in 2012; TL 1,787 million and 25.0% in the six months ended June 30, 2013). For further information on the Group's securities portfolio, see "*Securities Portfolio*."

The Group's primary sources of funding for the periods under review have typically been short-term deposits, funds borrowed and repurchase ("repo") transactions with the Central Bank. The Group's cost of funding in relation to repo transactions and deposit-based funding generally decreases as the Central Bank rates decrease.

Among the most significant indicators of the movements in interest rates as they affect the Group is the Central Bank reference overnight interest rate. The Central Bank reference overnight interest rate declined from 6.50% as of December 31, 2009 to 1.50% as of December 31, 2010 (at which time the overnight interest rate was no longer linked to the policy rate) in response to the effect of the global economic crisis on banks' liquidity. In August 2011, the rate increased to 5.0% where it remained as of December 31, 2012; *however*, the rate was gradually reduced and stood at 3.5% as of June 30, 2013. Although decreases in interest rates may result in decreases in margins for banks (including the Bank), whether such decreases will negatively affect the Group's net interest income will depend upon the magnitude of the impact of such decreases on its loan portfolio, securities portfolio and its various funding sources, as well as the timing of such impacts.

At the meeting of the Monetary Policy Committee of Central Bank on May 18, 2010, the one week repo auction rate became the new policy rate and was set at 7.00%, 50 basis points higher than the overnight borrowing rate. On December 16, 2010, the Monetary Policy Committee decreased its one week repo rate to 6.50%, and further decreased its one week repo rate to 6.25% on January 20, 2011. On August 4, 2011, the Central Bank cut the rate to 5.75% and then further reduced it to 5.50% on December 18, 2012, 5.00% on April 16, 2013 and 4.50% on May 16, 2013. At a meeting held on June 18, 2013, the Central Bank kept the rate unchanged.

From 2009 to 2011, net interest margins and spreads in Turkish Lira and foreign currencies were on a decreasing trend due to assets being re-priced with a time-lag compared to liabilities. The decrease in margins was principally due to the moderation of local market conditions (including inflationary pressures), the increases to reserve requirements introduced by the Central Bank (no interest is earned on such reserves), the tightening of monetary policy in Turkey over the period and continuing high levels of competition. Although the Central Bank has relaxed certain of these measures in light of weakening macro-economic conditions, significant pressure on net interest margins remains despite efforts to re-price assets and liabilities given funding costs and competitive conditions. As of October 2011, the Central Bank started to relax required reserve ratios and policy rates, which led to lower interest rates in the Turkish market and, due to assets being re-priced with a time-lag compared to liabilities, the Bank's net interest margin widened in 2012. In the first half of 2013, the net interest margin of the Bank was 4.5%.

As a result of the depreciation in the value of the Turkish Lira (which as of August 29, 2013 had depreciated by 10.2% since May 31, 2013), in July and August 2013, the Central Bank increased the upper band of the interest rate corridor (the lending rate) from 6.50% to 7.25% and then 7.75%. The Central Bank also announced that (with effect from July 24, 2013) there will be no funding to banks via the primary dealer repo facility on additional monetary-tightening days. While such increases have resulted in a limited increase in the Group's short-term funding costs, they have also contributed to an increase in rates earned by the Group on its assets and, as a result, have had an immaterial impact on the Group's net interest margin.

Central Bank Reserve Requirements

On November 12, 2010, the Central Bank raised Turkish Lira reserve requirements from 5.5% to 6.0%. In addition, on December 17, 2010, the Central Bank revised its Turkish Lira reserve ratio policy to establish different reserve requirements based upon the maturity structure of deposits. On January 24, 2011, the Central Bank announced that, in its opinion, a policy mix of a lower policy rate coupled with higher reserve requirements was the optimal approach to preserve both financial and price stability. In the Monetary and Exchange Rate Policy for 2012 document published on December 27, 2011, the Central Bank said that a new policy mix had been designed in which the interest rate corridor, which is formed between the overnight borrowing and lending rates, and required reserves are now employed together alongside the policy rate.

On March 23, 2011, the Central Bank further raised Turkish Lira reserve requirements to: (a) 15% for demand deposits, notice deposits and private current accounts and deposits and participation accounts with maturities of up to one month, (b) 13% for deposits accounts, participation accounts and special fund pools with maturities of up to three months and any liabilities other than deposit and participation funds, such as repo transactions other than those entered into with the Central Bank or other banks, marketable securities issued and funds borrowed and (c) 9% for deposits accounts, participation accounts and special fund pools with maturities of up to six months. On April 21, 2011, the Turkish Lira reserve requirements for demand deposits, notice deposits and private current accounts and deposits and participation accounts with maturities of up to one month were further increased to 16%.

On October 28, 2011, the Central Bank reduced various reserve requirements, some of which were slightly raised on December 19, 2012 with a view to supporting the financial stability of (and lengthening the maturity structure of the foreign exchange liabilities of) the Turkish banking sector. In addition, the Central Bank increased reserve requirement ratios on foreign exchange and Turkish Lira deposits for different maturities at its meetings held in January and February 2013. At the meeting of the Monetary Policy Committee held on May 16, 2013, reserve requirements on foreign exchange deposits and other foreign exchange liabilities for different maturities were further increased. At a meeting held on June 18, 2013, the Central Bank kept reserve requirements unchanged.

On December 26, 2012, the Central Bank introduced incremental additional reserve requirements to be applicable after 2013 for banks depending upon their leverage ratios, which may result in the increase of reserve requirements for each category of foreign exchange or Turkish Lira liabilities by 1.0%, 1.5% or 2.0%. See "*Turkish Regulatory Environment – Liquidity and Reserve Requirements*" in the Base Prospectus.

As a result of these recent changes in reserve requirements, the Bank's weighted average reserve requirement ratio for Turkish Lira deposits as of June 30, 2013 was 11.21%. These reserve rate increases have had a material adverse effect on the Bank's profitability as, due to competitive pressures, the Bank has been only partially able to pass on such increases in its overall costs of funding to customers. The Bank tries to mitigate the adverse impact on net interest margins from increases in reserve requirements by benefiting from the flexibilities offered by the Central Bank for fulfilling the reserve requirement obligations of banks.

In light of interest rate fluctuations that have had, and are expected to continue to have, a negative impact on margins, the Group's strategy is to seek to increase its business volumes and to focus on cost control, profitability and asset quality. In addition to movements in market interest rates, a key variable impacting changes in the Group's interest income and interest expense has been competition among both Turkish private and public sector banks, which has intensified over the periods under review and has negatively impacted, and is expected to continue to negatively impact upon, the Group's net interest margin (see "*Risk Factors – Risk Factors Relating to the Group's Business – Competition in the Turkish Banking Sector*" in the Base Prospectus).

In addition to the Central Bank's reserve requirement policy, it introduced the "Reserve Option Mechanism" as a new monetary policy tool. Recently revised Central Bank regulations permit Turkish banks to maintain 60% of their Turkish Lira reserve requirements in Euro and U.S. Dollars and 30% of their Turkish Lira reserve requirements in gold. Within the Reserve Option Mechanism facility, the amount of foreign exchange or gold that can be held per unit of Turkish Lira is determined by certain reserve option coefficients and, as the portion of reserve requirements held in foreign exchange or gold increases, a bank has to hold higher amounts of foreign exchange or gold per unit of Turkish Lira. This mechanism provides banks with flexibility to adjust the cost of their Turkish Lira reserve requirements. The Group's policy is to seek to meet its Turkish Lira reserve requirement obligations by holding these assets in order to seek to decrease the total cost of its Turkish Lira reserve requirements.

Exchange Rates

A portion of the Group's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and Euro. As of June 30, 2013, 34.0% of the Group's total assets and 35.9% of the Group's total liabilities were denominated in foreign currencies, principally U.S. Dollars and Euro.

While the Group monitors its net position in foreign currencies (*i.e.*, the amount by which its foreign currency risk-bearing assets differ from its foreign currency-denominated liabilities) and each of the Bank and the Group is required to comply with foreign currency position limits promulgated by the BRSA, each of the Bank and the Group has maintained and likely will continue to maintain gaps between the balances of its foreign currency-denominated assets and liabilities. The limit imposed by the BRSA is defined as an amount *plus/minus* 20% of the total capital used in the calculation of regulatory capital adequacy ratios.

Historically, the Bank has sought to maintain a balance between such assets and liabilities based upon the actual composition of its balance sheet and off-balance sheet positions at any time and, as a general matter, does not enter into any speculative positions. Under BRSA rules, any foreign exchange gains and losses are accounted for together with any gains and losses from the Group's investment in foreign exchange-based derivative financial instruments.

Even though the Group seeks to balance its actual foreign exchange position based upon the composition of its portfolio, the Group's financial results are impacted by changes in foreign exchange rates as the Group translates such assets and liabilities, and interest earned from and paid on those assets and liabilities, into Turkish Lira. The overall effect of exchange rate movements on the Group's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. For 2010, the Group recorded net foreign exchange losses of TL 312 million, and for 2011 and 2012, foreign exchange gains of TL 17 thousand and TL 399 million, respectively. In the six months ended June 30, 2013, the Group recorded net foreign exchange gains of TL 249 million.

Exchange rate movements also affect the Turkish Lira-equivalent value of the Group's foreign currency denominated assets and capital, which can affect capital adequacy either positively (for example, if the Turkish Lira appreciates, then assets in foreign currencies convert into fewer Turkish Lira in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Turkish Lira depreciates, then assets in foreign currency convert into more Turkish Lira in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

Securities Portfolio

The Group maintains a securities portfolio that primarily includes Turkish government debt securities. The Group's investment securities portfolio amounted to TL 41,132 million as of June 30, 2013. Of this amount, TL 10,176 million, or 24.7%, was classified as held to maturity and TL 30,956 million, or 75.3%, was classified as available for sale. The Group also had a trading securities portfolio amounting to TL 1,724 million as of June 30, 2013. Interest income derived from the Group's trading and investment securities amounted to TL 1,787 million for the six months ended June 30, 2013, accounting for 25.0% of total interest income for the period (TL 2,175 million and 29.9% for the six months ended June 30, 2012), TL 4,135 million for 2012, accounting for 28.2% of total interest income for the year, and amounted to TL 4,221 million for 2011, constituting 34.9% of the total interest income for the year. The Group sought to increase its securities portfolio between 2008 and 2010 (which increased to 34.4% as of December 31, 2010) as customer demand for loans diminished and the quality of the loan portfolio became a major concern after the beginning of the recent global financial crisis. Since December 31, 2010 the relative size of the securities portfolio has decreased to 19.4% of total assets as of June 30, 2013, as credit demand has recovered in Turkey and asset quality has improved. Moreover, the Group also benefitted from attractive yields and trading gains from its securities portfolio (in particular on Turkish government securities (including CPI linked securities)) between 2008 and 2010; *however*, the yields from securities has declined after 2010 as the yield curve (in particular for Turkish government securities) shifted downward during the lower interest rate environment. Notwithstanding the changes during recent years, the Group's earnings from its securities portfolio have remained fairly constant.

The Bank expects that trading gains will not continue to be as significant going forward and that the percentage of the Group's assets invested in securities will decline if loan demand keeps accelerating as the global financial crisis subsides and the Turkish economy continues to grow.

Expansion of Branch Network

As of June 30, 2013, the Bank, with its 1,263 domestic branches, had the most extensive branch network of all private sector banks in Turkey and has branches in every city in the country (source: Turkish Banks Association). In 77 cities out of the country's 81, the Bank was the leading private sector bank in terms of the number of branches as of June 30, 2013 according to the Turkish Banks Association. Unlike many of its competitors, in addition to the city branches, the Bank also has branches in rural districts. The Bank opened 63 new domestic branches in 2011 (six branches were consolidated with other branches during 2011), 47 new domestic branches in 2012 and 32 new domestic branches during the first six months of 2013. The Bank currently plans to open at least 60 domestic branches in 2013. The Bank's management believes that the expansion of the Bank's branch network over the periods under review has helped support the growth of its assets and liabilities; *however*, this growth has also resulted in an increase in expense relating to increased numbers of employees, branch operating expenses and general advertising expenses.

Provisioning for Impaired Loans

The Group classifies loans in line with the provisions of the Regulation on Provisions and Classification of Loans and Receivables. While the Bank's policy was historically to provide fully (at a rate of 100%) for its non-performing loan portfolio, since the third quarter of 2012 the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulations. Such legal requirements impose minimum provisions depending upon the category of the non-performing loan, including special provisions in the amounts of at least 20%, 50% and 100%, respectively, being required to be set aside for loans and receivables in Groups III, IV and V (see "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus).

As part of the Group's risk management principles and effective management of its loan portfolio, the Group monitors market conditions and selectively sells NPLs when doing so is viewed as maximizing recovery rates and returns. The attractiveness of such sales depends in part upon market conditions for collecting on NPLs; for example, in an environment where collection performance is strong, such as in 2012, the additional net positive effect of sales is limited and thus the Group's sales of NPLs during such periods are similarly limited.

Provisions that have been made within the current financial year but are released within the same financial year result in a credit to the "Provision Expenses" account in the quarter of release, while the released parts of provisions from previous years are transferred to and recognized in the "Other Operating Income" account. For further information on the Group's internal loan provision requirements, see Part Three, VIII of the June 30, 2013 BRSA Financial Statements.

Impact of Financial Participations

The BRSA Financial Statements include the financial condition and results of operation of the Bank's banking business as well as its financial participations. Such financial participations have a limited impact on the Bank's financial condition and results of operations as the Bank's banking business accounted for approximately 93% of the value of loans, 99% of the value of deposits and 85% of the value of securities included on the Group's balance sheet in the June 30, 2013 BRSA Financial Statements.

Critical Accounting Policies

The Group's accounting policies are integral to understanding its results of operations and financial condition presented in the BRSA Financial Statements and the notes thereto. The Group's critical and other significant accounting policies are described in note 3 to the June 30, 2013 BRSA Financial Statements. The preparation of these financial statements requires management to make estimates and assumptions on some events that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. On an on-going basis, management evaluates its estimates and judgments, including those related to allowance for contingencies, litigation and arbitration. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. The Group's actual results may differ from the estimates under different assumptions, judgments or conditions.

The Bank's management believes that the following significant accounting policies require critical judgments or estimates or involve a degree of complexity in application that affects the Group's financial condition and results of operation.

Consolidation of Subsidiaries and Associates

In the consolidated BRSA Financial Statements, the Bank consolidates its subsidiaries that are entities that are controlled by the Bank, but only its financial participations. While, the Bank does not consolidate its non-financial participations in the consolidated BRSA Financial Statements, the non-financial participations are shown under the items "Investments in Associates" and "Investments in Subsidiaries." For a list of the Bank's financial participations as of March 31, 2013, see "*Business of the Group – Financial Participations*" in the Base Prospectus, and for a list of the Bank's non-financial participations as of such date, see "*Business of the Group – Non-Financial Participations*." As of June 30, 2013, these lists remain unchanged. See also Appendix 1 ("*Overview of Significant Differences Between IFRS and BRSA Accounting Principles*") in the Base Prospectus. In determining whether the Bank controls another entity, the Bank's management considers the Bank's power to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of the entity's capital irrespective of the requirement of owning a minimum 51% of its capital, or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

The Bank's subsidiaries that have been consolidated in each of the BRSA Financial Statements are Anadolu Anonim Türk Sigorta Şirketi, Anadolu Hayat Emeklilik A.Ş., Camiş Menkul Değerler A.Ş., İşbank AG, İş Faktoring A.Ş., İş Finansal Kiralama A.Ş., İş Gayrimenkul Yatırım Ortaklığı A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., İş Portföy Yönetimi A.Ş., İş Yatırım Menkul Değerler A.Ş., İş B Tipi Yatırım Ortaklığı A.Ş., Maxis Securities Ltd., Milli Reasürans T.A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. and Yatırım Finansman Menkul Değerler A.Ş. In addition, Efes Varlık Yönetim A.Ş. and Is Investment Gulf Ltd., which commenced their operations in February and July 2011, respectively, and Closed Joint Stock Company İşbank (CJSC İşbank) ("*İşbank Russia*"), which was acquired in April 2011, have been consolidated since such time. In addition, operations of TSKB Yatırım Ortaklığı A.Ş. which was a consolidated subsidiary of the Group, ceased to exist in July 2012 as it was acquired by another consolidated subsidiary of the Group, İş B Tipi Yatırım Ortaklığı A.Ş.

An associate is an entity in which the Bank owns capital and over which it has a significant influence but no control, whether established at home and abroad. Significant influence is the power to participate in the financial and operating policy of the investee. If the Bank holds qualified shares in the associate, then it is presumed that the Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence. A qualified share is the share that directly or indirectly constitutes 10% or more of an entity's capital or voting rights and, irrespective of this requirement, possession of privileged shares giving right to appoint members of the board of directors.

The equity method is an evaluation method of associates by which the book value of the Bank's share in the associate's equity is increased or decreased by the Bank's proportional share in the change in the associate company's equity and the dividend received by the Bank is deducted. The accounting policies of Arap-Türk Bankası A.Ş., the only associate that is consolidated using the equity method, are not different than the Bank's. Thus, no adjustments of compliance have been applied.

Classification and Measurement of Financial Assets

Financial assets comprise cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with a counterparty, or capital instrument transactions with a counterparty. According to the Bank's management's purpose of holding, financial assets are classified into four groups: "Financial Assets at Fair Value through Profit And Loss," "Financial Assets Available for Sale," "Held to Maturity Investments" and "Loans and Receivables."

Cash and Banks. Cash consists of cash in vault, foreign currency cash, money in transit, checks purchased and precious metals. Foreign currency cash and banks are shown in the balance sheet by their amounts converted into Turkish Lira at the foreign exchange rate on the balance sheet date. The carrying values of both the cash and banks are their estimated fair values.

Financial Assets at Fair Value through Profit and Loss. Financial assets classified as "at fair value through profit and loss" include both "financial assets held for trading" as well as "financial assets at fair value through profit and loss," both of which are described below.

Financial Assets Held for Trading. Financial assets held for trading are those acquired for the purpose of generating profit from short-term market fluctuations in prices or similar elements, or securities that are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial assets held for trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. In cases where values that form the basis for the fair value do not exist in active market conditions, it is accepted that the fair value is not reliably determined and "amortized cost," calculated by the internal rate of return method, is taken into account as the fair value.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. Pursuant to legal regulations, any positive difference between the historical cost and amortized cost of financial assets is recognized under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is recognized in the "Gains on Securities Trading" account. If the fair value is less than the amortized cost, then the negative difference is recognized under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

Financial Assets at Fair Value through Profit and Loss. Financial assets classified as "at fair value through profit and loss" are financial assets that have not been acquired for trading purposes but were classified as "fair value through profit and loss" at their initial recognition. The recognition of such assets at fair value is accounted similarly to the financial assets held for trading described above.

Financial Assets Available for Sale. Financial assets available for sale are non-derivative financial assets other than bank loans and receivables, held to maturity investments and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based upon the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through the income statement by using the internal rate of return. If a price does not occur in an active market, then the fair value cannot be reliably determined and "amortized value" is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement but rather in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accounted under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when the valuation difference is collected.

Held to Maturity Investments. Held to maturity investments are investments for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including funding ability, and for which there are fixed or determinable payments with fixed maturity, which investments are recognized at fair value at initial recognition. Held to maturity investments with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment. Interest income from held to maturity investments is recognized in the income statement as an interest income.

Loans and Receivables. Loans and receivables represent financial assets that are not quoted in an active market and are generated by providing money, goods or services to the debtor with fixed or determinable payments. Loans and receivables are initially recognized at their fair values including settlement costs and are thereafter carried at their amortized cost, which is calculated using the internal rate of return method. Retail and commercial loans that are included in cash loans are accounted at original maturities, based upon their contents.

Foreign currency-indexed consumer and corporate loans are valued in Turkish Lira at the exchange rates prevailing at the opening date. Thereafter, increases and decreases in the principal amount of the loan resulting from movements in exchange rates are recognized under the foreign currency income and expense accounts in the income statement. Repayment amounts are calculated using the exchange rate on the repayment date and any exchange differences are also recognized in the foreign currency income and expense accounts in the income statement.

Impairment of Financial Assets

At each balance sheet date, the Group companies evaluate the carrying amount of their financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, then the Group determines the related impairment amount.

A financial asset or group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more event(s) after the initial recognition of that asset or group of assets has had an effect on the reliable estimate of the expected future cash flows thereof. Irrespective of their probability of occurrence, no estimated loss that might arise from future events is recognized in the financial statements.

Impairment losses attributable to the "held to maturity investments" are measured as the difference between the present values of the estimated future cash flows thereof as discounted using the original interest rate of such asset and the book value of such asset. The related difference is recognized as a loss and decreases the book value of the financial asset. In subsequent periods, to the extent that the impairment loss amount decreases, the previously recognized impairment loss is reversed.

When a decline occurs in the fair value of an "available for sale" financial asset, which is accounted at fair value and the increases and decreases in value of which are recognized directly in equity, the accumulated profit or loss that had been recognized directly in equity is transferred from equity and recognized in the period's profit or loss. If, in a subsequent period, the fair value of the related financial asset increases, then the impairment loss is reversed and the amount of reversal is recognized in profit or loss.

"Loans and receivables" are classified and followed in line with the provisions of the Regulation on Provisions and Classification of Loans and Receivables. While the Bank's policy was historically to provide fully (at a rate of 100%) for its non-performing loan portfolio, since the third quarter of 2012 the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulations. Such legal requirements impose minimum provisions depending upon the category of the non-performing loan, including special provisions in the amounts of at least 20%, 50% and 100%, respectively, being required to be set aside for loans and receivables in Groups III, IV and V (see "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus).

With respect to receivables from the Group's leasing and factoring business and receivables acquired through the Group's asset management activities, special provisions are set aside as decreed in the "Communiqué on Procedures and Principles for the Provisions to be Set Aside by Financial Leasing, Factoring and Financing Companies for their Receivables" (which was published in the Official Gazette numbered 26558 dated July 20, 2007) and "Regulation on the Establishment and Operating Principles of Asset Management Companies" (which was published in the Official Gazette numbered 26333 dated November 1, 2006), respectively. These specific provisions are included in the income statement. Provisions set aside and released in the same year are credited in the "Provision Expense" account, whereas released provisions that were set aside in past years are accounted in the "Other Operating Income" item.

Other than specific provisions, the Bank and the financial institutions affiliated to the Group also provide "general allowances" for loans and other receivables classified in accordance with applicable regulations.

Employee Benefits Obligations

According to the related regulation and collective bargaining agreements, the Bank and consolidated Group companies (excluding subsidiaries residing outside of Turkey) are obligated to pay termination benefits for employees who retire, die, quit for their military service obligations, have been dismissed as defined in the related regulation or (for female employees) have voluntarily quit within one year after the date of their marriage. Within the scope of TAS 19 ("Employee Benefits"), the Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities. As the legislations of the countries in which the Bank's non-Turkish subsidiaries operate do not require retirement pay provisions, no provision liability has been recognized for such companies. In addition, provision is also allocated for employees' unused paid vacation.

The İşbank Pension Fund, of which each Turkish employee of the Bank is a member, has been established according to provisional Article 20 of the Social Security Act No. 506. For pension funds such as this, Law no. 5754 published in the Official Gazette dated May 8, 2008 and numbered 26870 decrees that payment obligations to the contributors of bank pension funds, those who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution within three years after the release date of this law; *however*, the initial three-year transfer period was extended for two years (*i.e.*, until May 8, 2013) by a Cabinet decision dated March 14, 2011, which was published in the Official Gazette dated April 9, 2011 and numbered 27900. By the Law "Emendating Social Security and General Health Insurance Act," which was published in the Official Gazette dated March 8, 2012 and numbered 28227, the Cabinet's authority to extend this period for two years was raised to four years (*i.e.*, until May 8, 2015), and then the Cabinet further extended this period for another year by Cabinet decision dated April 8, 2013 (published in the Official Gazette dated May 3, 2013 and numbered 28636). This law also states that:

- through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, one from each pension fund and one representative from the organization employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of a pension fund as of the transfer date will be calculated by considering its income and expenses in terms of the lines of insurance within the context of the related law, and a technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash, and

- after the transfer of the pension fund, the fund's beneficiaries' unfunded social rights and payments will continue to be covered by the pension funds and the employers of the pension fund contributors.

In line with the new law, the Bank had an actuarial valuation made for the aforementioned pension fund as of December 31, 2012. Based upon the resulting report, a provision for the actuarial and technical deficit was recorded in the 2012 BRSA Financial Statements (and remained in the June 30, 2013 BRSA Financial Statements).

Besides the Bank, Milli Reasürans T.A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş. also obtained an actuarial report as of December 31, 2012 for their respective pension funds. The amount of actuarial and technical deficit in the actuarial report of Milli Reasürans T.A.Ş. was included in the Group's year-end and June 30, 2013 BRSA Financial Statements, while there was no indicated operational or actuarial liability from Türkiye Sınai Kalkınma Bankası A.Ş.

There is no deficit in the İşbank Personnel Supplementary Pension Fund and the Bank thus has made no payment for this purpose. The same applies for the supplementary pension funds of the employees of Anadolu Anonim Türk Sigorta Şirketi, Milli Reasürans T.A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş., which are among the other financial institutions of the Group.

Interest Income and Expenses

Interest income and expenses are recognized on an accrual basis by using the effective interest method (the rate that equalizes the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 ("Financial Instruments: Recognition and Measurement"). In accordance with the relevant legislation, realized and unrealized interest accruals on NPLs are reversed and interest income related to these loans is recorded as interest income only when they are collected.

Fee and Commission Income and Expenses

Fee and commission income and expenses are recorded either on an accrual basis or by using the effective interest rate method. Income earned in return for services rendered contractually or due to operations such as the sale or purchase of assets on behalf of a third party are recognized in income accounts in the period of collection.

Recent Developments

In "*Business of the Group – Banking Units – Retail Banking – Deposits*" in the Base Prospectus, the last sentence of the sixth paragraph is hereby deleted in its entirety and replaced by the following: "In terms of total demand deposits, the Bank's market share was 15.8% as of March 31, 2013, on a bank-only basis according to the BRSA.".

Key Performance Indicators

The Group calculates certain ratios in order to measure its performance and compare it to the performance of its main competitors. The following table sets out certain key performance indicators for the Group for the indicated dates/periods, which indicators are (among others) those used by the Group's management to manage its business:

	As of (or for the year ended) December 31			As of (or for the six month period ended)
Ratios	**2010**	**2011**	**2012**	**June 30, 2013**
Net interest margin[(1)(2)]	4.3%	3.7%	4.2%	4.5%
Cost-to-income ratio[(3)]	42.0%	48.5%	47.1%	45.3%
Free capital ratio[(4)]	8.0%	7.0%	8.2%	7.3%
Tier I ratio[(5)]	16.3%	13.2%	13.5%	12.5%
Capital adequacy ratio[(6)]	17.6%	14.1%	16.3%	14.7%
Coverage ratio[(7)]	100.0%	100.0%	76.8%	75.5%
Return on average total assets[(1)(9)]	2.3%	1.4%	1.9%	1.8%
Return on average shareholders' equity excluding minority interest[(1)(8)(9)]	20.2%	13.2%	17.5%	16.1%

(1) Calculated on quarterly averages.

(2) Bank-only net interest income as a percentage of Bank-only average interest-earning assets. Reserves held at the Central Bank have been excluded from interest-earning assets. Net interest income does not include interest income from the Central Bank.

(3) "Cost" includes total operating expenses excluding impairment losses, net, and foreign exchange and trading losses net. "Income" includes operating income *minus* foreign exchange and trading losses net. Total operating income is net of insurance expense and total operating expense does not include insurance expense.

(4) Total shareholders' equity *minus* fixed assets, investment property, investments in equity participations and net NPLs as a percentage of total assets.

(5) The Tier I ratio is: (a) the "Tier I" capital (*i.e.*, the result of the "core capital," which primarily is comprised by the share capital, profit reserves, profit and provisions for possible losses) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations; *however*, such calculations for 2010 and 2011 would differ if Basel II had then been in effect. See "Capital Adequacy" below.

(6) The capital adequacy ratio is: (a) the result of "Tier I" capital *plus* "Tier II" capital (*i.e.*, the "supplementary capital," which comprises general provisions, subordinated debt, unrealized gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and prepaid expenses)) *minus* items to be deducted from capital (the "deductions from capital," which comprises items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations; *however*, such calculations for 2010 and 2011 would differ if Basel II had then been in effect. See "Capital Adequacy" below.

(7) Total amount of specific provisions *divided by* NPLs.

(8) Net income for the period as a percentage of average shareholders' equity.

(9) For the six months ended June 30, 2013, presented on an annualized basis.

Analysis of Results of Operations for the six months ended June 30, 2012 and 2013 and the years ended December 31, 2010, 2011 and 2012

The table below sets out the Group's income statement for the periods indicated.

Consolidated Income Statement Data	2010	2011	2012	For the six months ended June 30, 2012	2013
			(TL thousands, except where indicated)		
Interest Income	**10,850,750**	**12,081,352**	**14,676,856**	**7,262,846**	**7,159,454**
Interest Income on Loans	6,180,827	7,498,817	10,129,963	4,878,553	5,172,337
Interest Received from Reserve Deposits	—	—	—	—	—
Interest Received from Banks	347,848	194,132	199,780	104,208	87,901
Interest Received from Money Market Placements	7,954	5,176	7,762	6,394	3,869
Interest Received from Marketable Securities Portfolio	4,178,647	4,220,638	4,135,462	2,174,913	1,787,386
Financial Assets Held for Trading	76,977	63,911	99,255	54,993	20,838
Financial Assets at Fair Value Through Profit and Loss	—	—	—	—	—
Financial Assets Available for-Sale	2,411,536	2,392,929	2,494,658	1,259,425	1,044,013
Held to Maturity Investments	1,690,134	1,763,798	1,541,549	860,495	722,535
Finance Lease Income	84,080	102,550	107,110	50,613	56,815
Other Interest Income	51,394	60,039	96,779	48,165	51,146
Interest Expense	**5,440,180**	**6,664,356**	**7,834,591**	**4,134,244**	**3,215,417**
Interest on Deposits	4,174,618	4,931,769	5,409,094	2,777,901	2,196,650
Interest on Funds Borrowed	625,306	373,450	417,738	179,863	229,670
Interest on Money Market Funds	623,945	1,109,917	1,476,204	941,639	465,913
Interest on Securities Issued	5,722	209,706	454,618	194,574	264,049
Other Interest Expense	10,589	39,514	76,937	40,267	59,135
Net Interest Income/Expense	**5,410,570**	**5,416,996**	**6,842,265**	**3,128,602**	**3,944,037**
Net Fees and Commissions Income/Expense	**997,891**	**1,102,726**	**1,258,319**	**592,303**	**767,420**
Fees and Commissions Received	1,509,200	1,788,674	2,081,434	988,926	1,216,419
Non-cash Loans	123,430	141,504	194,994	91,913	105,393
Other	1,385,770	1,647,170	1,886,440	897,013	1,111,026
Fees and Commissions Paid	511,309	685,948	823,115	396,623	448,999
Non-cash Loans	5,232	6,359	9,673	4,713	4,724
Other	506,077	679,589	813,442	391,910	444,275
Dividend Income	**45,785**	**171,477**	**205,032**	**204,528**	**237,224**
Trading Income (net)	**292,912**	**446,913**	**871,070**	**487,624**	**364,759**
Gains/Losses on Securities Trading	656,230	132,031	767,177	288,578	160,313
Derivative Financial Transactions Gains/Losses	(51,340)	314,865	(295,502)	(110,554)	(44,528)
Foreign Exchange Gains/Losses	(311,978)	17	399,395	309,600	248,974
Other Operating Income	**4,026,561**	**4,060,685**	**4,559,561**	**2,170,340**	**2,272,947**
Total Operating Income / Expense	**10,773,719**	**11,198,797**	**13,736,247**	**6,583,397**	**7,586,387**
Provision for Loans and Other Receivables	1,185,911	1,494,935	1,291,545	826,046	1,122,726
Other Operating Expenses	**5,671,987**	**6,615,795**	**7,783,373**	**3,521,128**	**4,094,432**
Net Operating Income	**3,915,821**	**3,088,067**	**4,661,329**	**2,236,223**	**2,369,229**
Profit/Loss From Associates Using the Equity Method	4,806	9,842	12,317	8,132	4,078
Profit/Loss On Continuing Operations Before Tax	**3,920,627**	**3,097,909**	**4,673,646**	**2,244,355**	**2,373,307**
Tax Provision For Continuing Operations	688,933	708,541	958,912	455,619	467,700
Current Tax Provision	897,266	395,096	1,263,465	550,364	204,496
Deferred Tax Provision	(208,333)	313,445	(304,553)	(94,745)	263,204
Net Period Profit/Loss From Continuing Operations	**3,231,694**	**2,389,368**	**3,714,734**	**1,788,736**	**1,905,607**
Group's profit/loss	2,939,156	2,271,539	3,412,022	1,633,028	1,763,589
Minority shares	292,538	117,829	302,712	155,708	142,018
Earnings Per Share(1)	0.026125309	0.020191054	0.030328478	0.014515514	0.015676033

(1) Earnings per share are calculated by using the average number of shares of the current period. Presented in Turkish Lira, instead of thousands of Turkish Lira.

Results of Operations for the six months ended June 30, 2013 and 2012

Interest Income

The Group's interest income decreased by 1.4%, from TL 7,263 million in the six months ended June 30, 2012 to TL 7,159 million in the six months ended June 30, 2013.

The Group's interest income is primarily derived from interest on loans and interest on securities. For the six months ended June 30, 2013, interest income from loans totaled TL 5,172 million (72.2% of total interest income) and interest income from securities totaled TL 1,787 million (25.0% of total interest income), compared to TL 4,879 million (67.2%) and TL 2,175 million (29.9%), respectively, in the six months ended June 30, 2012. With respect to interest income derived from the Bank's loan portfolio, the Bank's average interest rates on loans to customers decreased from 10.2% for the six months ended June 30, 2012 to 8.9% in the six months ended June 30, 2013. This decrease was partially offset by an increase in the Bank's average volume of loans during the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 from TL 89,854 million to TL 108,914 million (an increase of 21.2%) as a result of growth mainly in housing and Turkish Lira-denominated commercial and corporate loans, due in part to general improvement in the Turkish economy during this period and also to the Bank's decision to target customers in these segments of the economy. With respect to interest on the securities portfolio, the average balance in the six months ended June 30, 2013 decreased to TL 33,041 million as compared to TL 38,587 million in the six months ended June 30, 2012 (due to both the sale of securities and the receipt of principal payments on securities in the portfolio) and the average interest rates on securities held decreased from 10.2% in the six months ended June 30, 2012 to 9.4% in the six months ended June 30, 2013.

Interest Expense

The Group's interest expense decreased by 22.2% from TL 4,134 million in the six months ended June 30, 2012 to TL 3,215 million in the six months ended June 30, 2013. This decrease was due to 20.9% and 50.5% year-on-year decreases in interest expenses on deposits and funds borrowed under repurchase agreements, respectively. These decreases were primarily driven by the impact of interest rate cuts by the Central Bank, declining inflation expectations and steady (or even increasing) levels of liquidity due to increases in global risk appetite. As of June 30, 2013, the Group had TL 21,773 million in funding through repos and TL 114,646 million in deposits, a repo-to-deposit ratio of 19.0% (for June 30, 2012, TL 19,557 million, TL 99,881 million and 19.6%, respectively).

Net Interest Income

The Group's net interest income increased by 26.0% from TL 3,129 million in the six months ended June 30, 2012 to TL 3,944 million in the six months ended June 30, 2013. The Bank's net interest margin in the six months ended June 30, 2013 was 4.5% as compared to 4.0% in the six months ended June 30, 2012. These increases were primarily due to higher spreads. For further information regarding the factors that resulted in this change in the Group's net interest margins, see "*Interest Income*" and "*Interest Expense*."

Net Fees and Commission Income

The Group's net fees and commission income increased by 29.6% from TL 592 million in the six months ended June 30, 2012 to TL 767 million in the six months ended June 30, 2013. This increase was largely driven by refinancing fees related to housing loans (which are classified in "other fees and commissions"), commissions from fund transfers and commissions from the credit card business.

Dividend Income

The Group's dividend income increased by 15.6% from TL 205 million in the six months ended June 30, 2012 to TL 237 million in the six months ended June 30, 2013. The increase was primarily due to dividend income from Nemtaş Liman İşletmeleri A.Ş.

Trading Income/(Loss)(Net)

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income decreased by 25.2% from

TL 488 million in the six months ended June 30, 2012 to TL 365 million in the six months ended June 30, 2013. This decrease was primarily driven by reduced profitability of securities trading due to an increase in interest rates on Turkish government bonds.

Other Operating Income

The Group's other operating income increased by 4.7% from TL 2,170 million in the six months ended June 30, 2012 to TL 2,273 million in the six months ended June 30, 2013. A portion of this increase was attributable to the reduction in provisions related to sales of subsidiaries. Contribution from operations of the Group's insurance/reinsurance companies to the Group's other operational income was TL 1,574 million and TL 1,498 million in the six months ended June 30, 2013 and 2012, respectively.

A significant component of the Group's other operating income in the six months ended on each of June 30, 2012 and 2013 has been its collections of NPLs. During the six months ended June 30, 2013, the Group collected approximately TL 512 million, or 23.8%, of its NPLs as of December 31, 2012, as compared to TL 363 million, or 17.2%, of its NPLs as of December 31, 2011 collected during the six months ended June 30, 2012.

Provisioning for Loans and other Receivables

The Group's provisioning for loans and other receivables increased by 36.0% from TL 826 million in the six months ended June 30, 2012 to TL 1,123 million in the six months ended June 30, 2013. This increase was principally attributable to a 93.8% increase in general loan provisions as a result of stronger loan growth in the six months ended June 30, 2013, a TL 100 million free provision (which was TL 50 million in the six months ended June 30, 2012) and a 34.9% increase in specific provisions, which resulted from an increase in new NPLs. The NPL ratio decreased to 1.8% as of June 30, 2013 as compared to 1.9% as of June 30, 2012 (also 1.8% as of December 31, 2012), notwithstanding that the total value of new NPLs increased from TL 414 million in the six months ended June 30, 2012 to TL 887 million in the six months ended June 30, 2013.

The following table shows the Group's provisioning for loans and other receivables as of the indicated dates.

	As of June 30	
	2012	**2013**
	(*TL thousands*)	
Specific Provisions for Loans and Other Receivables[(1)]	381,372	514,328
Group III Loans and Receivables[(2)]	311,561	80,666
Group IV Loans and Receivables[(2)]	16,643	202,602
Group V Loans and Receivables[(2)]	53,168	231,060
General Loan Provision Expenses	207,228	401,542
Provision Expenses for Potential Risks	50,000	100,000
Marketable Securities Impairment Losses	4,407	38,709
Financial Assets at Fair Value through Profit and Loss	3,900	36,567
Financial Assets Available for Sale	507	2,142
Other[(3)]	183,039	68,147
Total	**826,046**	**1,122,726**

(1) For a description of the changes in the allowance policy for specific provisions, see Appendix 1 ("*Overview of Significant Differences Between IFRS and BRSA Accounting Principles – Allowance for Loan Losses*") in the Base Prospectus.

(2) For a description of the Loans and Receivables categories, see "*Business of the Group – Loan Classification and Provisioning Policy*" in the Base Prospectus. In addition, while the Bank's policy was historically to provide fully (at a rate of 100%) for its non-performing loan portfolio, since the third quarter of 2012 the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulation and, as a result, the June 30, 2012 provisions are not directly comparable to those of June 30, 2013. For additional information on regulatory requirements for provisioning, see "*Business of the Group – Loan Classification and Provisioning Policy*," "*Risk Factors – Banking Regulatory Matters*" and "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus.

(3) Due to a change in reporting for provisions set aside for dividends, an "other provision expense" in the first six months of 2012 of TL 75,506 for the previous year's dividend payment has been reclassified as "other operating expense."

Other Operating Expenses

The Group's other operating expenses increased by 16.3% from TL 3,521 million in the six months ended June 30, 2012 to TL 4,094 million in the six months ended June 30, 2013. This change was principally attributable to losses on sales of subsidiaries and an increase in provision expense related to pension fund deficit of the Bank, provisions set aside for a dividend to be distributed to employees in accordance with "IAS 19 – Employee Benefits" and wage increases considering the collective bargaining agreement agreed on March 4, 2013. Expenses related to operations of the Group's insurance/reinsurance companies constituted TL 1,203 million and TL 1,155 million of the Group's other operating expenses in the six months ended June 30, 2013 and 2012, respectively.

Net Profit from Continuing Operations

The Group's net profit from continuing operations increased by 6.5% from TL 1,789 million in the six months ended June 30, 2012 to TL 1,906 million in the six months ended June 30, 2013. This increase in net profit was primarily due to a 26.1% increase in net interest income and a 29.6% increase in net fee and commission income. Dividend income and other operating income also contributed to the 15.2% increase in pre-provision operating income, which offset the 16.3% increase in pre-provision operating expenses. As a result, net operating income increased by 5.9% from TL 2,236 million in the six months ended June 30, 2012 to TL 2,369 million in the six months ended June 30, 2013.

For the six months ended June 30, 2013, the Bank's return on average assets of its banking business was 1.7% and the return on average equity of its banking business was 19.6%.

Results of Operations for the years ended December 31, 2012 and 2011

Interest Income

The Group's interest income increased by 21.5%, or TL 2,596 million, from TL 12,081 million in 2011 to TL 14,677 million in 2012. This increase was largely driven by a 35.1% year-on-year growth in interest income on loans, which is mainly the result of volume growth and higher yields in the loan portfolio.

The Group's interest income is primarily derived from interest on loans and interest on securities. For 2012, interest income from loans totaled TL 10,130 million (69.0% of total interest income) and interest from securities totaled TL 4,135 million (28.2% of total interest income), compared to TL 7,499 million (62.1%) and TL 4,221 million (34.9%), respectively, in 2011. With respect to interest income derived from the Bank's loan portfolio, the Bank's average interest rates on loans to customers increased from 8.87% for 2011 to 9.88% in 2012. This increase was supplemented by an increase in the Bank's average volume of loans during 2012 as compared to 2011 from TL 77,499 million to TL 96,382 million (a 24.4% increase) as a result of growth mainly in housing, general purpose Turkish Lira-denominated commercial and corporate loans, due in part to general improvement in the Turkish economy during this period and also to the Bank's decision to target customers in these segments of the economy. With respect to interest on the securities portfolio, the average balance in 2012 decreased to TL 39,989 million as compared to TL 42,858 million in 2011 and the average interest rates on securities held increased from 8.68% in 2011 to 9.13% in 2012.

Interest Expense

The Group's interest expense increased by 17.6% from TL 6,664 million in 2011 to TL 7,835 million in 2012. This increase was due to 9.7%, 33.0% and 116.8% year-on-year increases in interest expenses on deposits, funds borrowed under repurchase agreements and debt securities issued, respectively. These increases were driven by increases in both average balances and increases in funding costs compared to 2011. As of December 31, 2012, the Group had TL 14,830 million in funding through repos and TL 106,011 million in deposits, a repo-to-deposit ratio of 14.0% (for December 31, 2011, TL 20,497 million, TL 98,832 million and 20.7%, respectively).

Net Interest Income

The Group's net interest income increased by 26.3% from TL 5,417 million in 2011 to TL 6,842 million in 2012. The Bank's net interest margin in 2012 was 4.2% as compared to 3.7% in 2011. These increases were primarily due to higher spreads and a decrease in reserve requirement ratios. For further information regarding the factors that resulted in this change in the Group's net interest margins, see "*Interest Income*" and "*Interest Expense*."

Net Fees and Commission Income

The Group's net fees and commission income increased by 14.1% from TL 1,103 million in 2011 to TL 1,258 million in 2012. This increase was largely driven by cash and non-cash lending-related fees and commissions from the credit card business.

Dividend Income

The Group's dividend income increased by 19.6% from TL 171 million in 2011 to TL 205 million in 2012. The increase was primarily due to dividend income from Camiş Yatırım Holding A.Ş.

Trading Income/(Loss)(Net)

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income increased by 94.9% from TL 447 million in 2011 to TL 871 million in 2012. This increase was primarily driven by securities trading and foreign exchange income.

Other Operating Income

The Group's other operating income decreased by 12.3% from TL 4,061 million in 2011 to TL 4,560 million in 2012. This decrease was principally attributable to insurance premium income from operations of the Group's insurance/reinsurance companies. Contribution from operations of the Group's insurance/reinsurance companies to the Group's other operational income was TL 3,193 million and TL 2,566 million in 2012 and 2011, respectively.

A significant component of the Group's other operating income in 2011 and 2012 has been its collections of NPLs. During 2012, the Group collected approximately TL 796 million, or 37.7%, of its NPLs as of December 31, 2011, as compared to TL 1,089 million, or 44.2%, of its NPLs as of December 31, 2010 collected during 2011.

Provisioning for Loans and other Receivables

The Group's provisioning for loans and other receivables decreased by 13.6% from TL 1,495 million in 2011 to TL 1,292 million in 2012. This decrease was principally attributable to a 30.3% decrease in general loan provision expenses and a 1.9% decrease in specific provisions, which resulted from the change in the Group's provisioning policy for non-performing loans in 2012. The NPL ratio decreased to 1.8% as of December 31, 2012 as compared to 2.1% as of December 31, 2011. In addition, the total value of new NPLs increased from TL 988 million in 2011 to TL 1,201 million in 2012.

The following table shows the Group's provisioning for loans and other receivables as of the indicated dates.

	As of December 31,	
	2011	**2012**
	(TL thousands)	
Specific Provisions for Loans and Other Receivables	**638,965**	**626,910**
Group III Loans and Receivables[(1)]	474,730	77,866
Group IV Loans and Receivables[(1)]	15,692	215,030
Group V Loans and Receivables[(1)]	148,543	334,014
General Loan Provision Expenses	**566,126**	**394,723**
Provision Expenses for Potential Risks	**-**	50,000
Marketable Securities Impairment Losses	**31,650**	**1,092**
Financial Assets at Fair Value through Profit and Loss	26,365	12
Financial Assets Available for Sale	5,285	1,080
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investments	**21,177**	**26,960**
Investment in Associates	-	-
Subsidiaries	21,177	26,960
Jointly Controlled Entities	-	-
Held to Maturity Investments	-	-
Other	**237,017**	**191,860**
Total	**1,494,935**	**1,291,545**

(1) For a description of the Loans and Receivables categories, see "*Business of the Group – Loan Classification and Provisioning Policy*" in the Base Prospectus.

Other Operating Expenses

The Group's other operating expenses increased by 17.6% from TL 6,616 million in 2011 to TL 7,783 million in 2012. This increase was principally attributable to increase in provision expense related to pension fund deficit of the Bank, provisions set aside for a dividend to be distributed to employees in accordance with "IAS 19 – Employee Benefits" and wage increases considering the collective bargaining agreement agreed on March 4, 2013. Expenses related to operations of the Group's insurance/reinsurance companies constituted TL 2,482 million and TL 2,305 million of the Group's other operating expenses in 2012 and 2011, respectively.

Net Profit from Continuing Operations

The Group's net profit from continuing operations increased by 55.5% from TL 2,389 million in 2011 to TL 3,715 million in 2012. This increase in net profit was primarily due to a 26.3% increase in net interest income and a 94.9% increase in trading gains. All other remaining revenue items also contributed to the 22.7% growth in operating income, which more than offset the 17.6% growth in other operating expenses.

Results of Operations for the years ended December 31, 2011 and 2010

Interest Income

The Group's interest income increased by 11.3% from TL 10,851 million in the year ended December 31, 2010 to TL 12,081 million in the year ended December 31, 2011. This increase was largely driven by a 21.3% increase in interest income from loans as the 43.4% growth in the loan portfolio more than compensated for a decline in loan yields.

The Group's interest income is primarily derived from interest on loans and interest on securities. For 2011, interest income from loans of TL 7,499 million constituted 62.1% of total interest income and interest from securities of TL 4,221 million constituted 34.9% of total interest income, compared to 57.0% and 38.5%, respectively, in the year ended December 31, 2010. With respect to interest income derived from the Bank's loan portfolio, the decrease in Central Bank interest rates led to similar decreases in the Bank's average interest rates on loans to customers, which decreased from 10.39% for 2010 to 8.87% for 2011. This decrease was partially offset by an increase in the Bank's average volume of loans during 2011 as compared to 2010 from TL 54,933 million to TL 77,499 million (a 41.1% increase) as a result of growth mainly in housing, general purpose and corporate loans, due in part to general improvement in the Turkish economy during this period and also the Bank's decision to target customers in these segments of the economy. With respect to interest on the Bank's securities portfolio, the average balance of this portfolio for 2011 was essentially flat at TL 42,858 million (compared to TL 42,982 million for 2010) but the interest earned on the Bank's portfolio of inflation-indexed securities declined (primarily in the first half of 2011) due to the low inflation environment.

Interest Expense

The Group's interest expense increased by 22.5% from TL 5,440 million in the year ended December 31, 2010 to TL 6,664 million in the year ended December 31, 2011. This increase was in large part due to the 18.1% increase in interest expense on deposits, which was largely driven by a rise in funding costs but also by the 11.7% increase in deposits. Also, securities issued by the Bank led to a TL 204.0 million increase in the interest expense on securities issued.

Net Interest Income

The Group's net interest income increased by only 0.1% from TL 5,411 million in the year ended December 31, 2010 to TL 5,417 million in the year ended December 31, 2011. The Bank's net interest margin in the year ended December 31, 2011 was 3.7% as compared to 4.3% in the year ended December 31, 2010. Loan growth offset the decline in net interest margin, which was the result of lower loan yields and higher reserve requirement ratios; and net interest income remained almost flat at the end of the period.

As described above in "*Significant Factors Affecting the Group's Financial Condition and Results of Operations – Interest Rates*," the Group's liabilities have historically re-priced more quickly than its assets; *however*, the decline in interest rates on the Group's liabilities slowed during 2011 as a result of competitive pressure to gain and retain deposits, while interest rates on the Group's assets continued to decline due in part to slower re-pricing of longer duration loans, which led to lower net interest margins in the year ended December 31, 2011 as compared to the year ended December 31, 2010. For further information regarding the factors that resulted in this decrease in the Group's net interest margins, see "*Interest Income*" and "*Interest Expense*."

Net Fees and Commission Income

The Group's net fees and commission income increased by 10.5% from TL 998 million in the year ended December 31, 2010 to TL 1,103 million in the year ended December 31, 2011. Other than mutual fund management fees that were limited by changes in regulation, all fee and commission items contributed to this growth, which the credit card business providing the largest contribution.

Dividend Income

The Group's dividend income increased by 274.5% from TL 46 million in the year ended December 31, 2010 to TL 171 million in the year ended December 31, 2011. This increase was primarily due to the increase in dividends from Türkiye Şişe ve Cam Fabrikaları A.Ş.

Trading Income/(Loss)(Net)

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income increased by 52.6% from TL 293 million in the year ended December 31, 2010 to TL 447 million in the year ended December 31, 2011. This increase was primarily driven by foreign exchange and derivative transaction income.

Other Operating Income

The Group's other operating income increased by only 0.8% from TL 4,027 million in the year ended December 31, 2010 to TL 4,061 million in the year ended December 31, 2011. Contribution from operations of the Group's insurance/reinsurance companies to the Group's other operational income reached TL 2,566 million and TL 2,314 million in 2011 and 2010, respectively.

Provisioning for Loans and other Receivables

The Group's provisioning for loans and other receivables increased by 26.1% from TL 1,186 million in the year ended December 31, 2010 to TL 1,495 million in the year ended December 31, 2011. This increase was principally attributable to a 130.0% increase in general loan provision expenses (due to an increase in general provision rates required by the BRSA) despite a 19.5% decline in specific provisions for loans, which was the result of improvement in the asset quality during 2011.

The following table shows the Group's provisioning for loans and other receivables as of the indicated dates.

	As of December 31,	
	2010	2011
	(TL thousands)	
Specific Provisions for Loans and Other Receivables	**793,747**	**638,965**
Group III Loans and Receivables(1)	592,672	474,730
Group IV Loans and Receivables(1)	33,590	15,692
Group V Loans and Receivables(1)	167,485	148,543
General Loan Provision Expenses	**246,169**	**566,126**
Provision Expenses for Potential Risks	**-**	**-**
Marketable Securities Impairment Losses	**3,513**	**31,650**
Financial Assets at Fair Value through Profit and Loss	104	26,365
Financial Assets Available for Sale	3,409	5,285
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investments	**-**	**21,177**
Investment in Associates	-	-
Subsidiaries	-	21,177
Jointly Controlled Entities	-	-
Held to Maturity Investments	-	-
Other	**142,482**	**237,017**
Total	**1,185,911**	**1,494,935**

(1) For a description of the Loans and Receivables categories, see "*Business of the Group – Loan Classification and Provisioning Policy*" in the Base Prospectus.

Other Operating Expenses

The Group's other operating expenses increased by 16.6% from TL 5,672 million in the year ended December 31, 2010 to TL 6,616 million in the year ended December 31, 2011. This increase was in large part due to the increase in technical provisions and claims paid as part of the operations of the Group's insurance/reinsurance companies. Expenses related to operations of the Group's insurance/reinsurance companies constituted TL 2,305 million and TL 1,978 million of the Group's other operating expenses in 2011 and 2010, respectively.

Net Profit from Continuing Operations

The Group's net profit from continuing operations decreased by 26.1% from TL 3,232 million in the year ended December 31, 2010 to TL 2,389 million in the year ended December 31, 2011. This decrease was in large part due to the 3.9% growth in operating income being offset by the 16.6% increase in other operating expenses and 26.1% increase in total provision charges. The limited growth in the operating income was principally due to net interest income remaining flat in the period.

Segmental Analysis

The Group presents its group structure under three principal business lines: Banking Services, Financial Participations and Non-Financial Participations. These business lines are further divided into various sub business lines based upon business activities as described under "*Business of the Group – Business Activities*" in the Base Prospectus. Under its Banking Services business lines, there are five sub-business lines: corporate, commercial, retail, private banking and capital markets activities. For accounting purposes, however, the Group reports its business in its BRSA Financial Statements under six segments: Corporate, Commercial, Retail, Private, Treasury/Investment and Unallocated. The first five of these segments largely correspond to the five sub-business lines noted above. The Bank's results make up the large majority of the results for these five segments, with the remainder being contributed by separate legal entities within the Financial Participations business lines. For a list of the activities undertaken in its Financial Participations sector, see "*Business of the Group – Subsidiaries and Affiliates – Financial Participations*" in the Base Prospectus. The Bank does not consolidate the results of its non-financial activities in its consolidated BRSA Financial Statements on a line by-line basis and so these results do not appear in the segmental data included therein.

Non-financial participations are reported under the "Investments in Associates" and "Investments in Subsidiaries" items in the consolidated BRSA Financial Statements. Non-financial associates and subsidiaries whose equity securities are traded in an active stock exchange are reflected on financial statements with their fair value prices taking into consideration their quoted market prices at the stock exchange. Associates and subsidiaries whose equity securities are not traded in an active stock exchange are recorded at their cost on the acquisition date and these assets are reflected on the financial statements with their acquisition cost less impairment losses, if any. For a list of the Bank's non-financial participations as of March 31, 2013, see "*Business of the Group– Subsidiaries and Affiliates – Non-Financial Participations*" in the Base Prospectus (as of June 30, 2013, this list remains unchanged).

The following table sets forth certain information regarding the Group's business segments as of and for the six months ended June 30, 2013:

	As of (or for the six months ended) June 30, 2013						
	Corporate	**Commercial**	**Retail**	**Private**	**Treasury/ Investment**	**Unallocated**	**Total**
				(TL thousands)			
OPERATING INCOME/EXPENSE							
Interest Income	**1,285,516**	**2,259,467**	**1,584,876**	**20,891**	**1,880,019**	**128,685**	**7,159,454**
Interest Income from Loans	1,250,012	2,212,897	1,584,876	20,891	—	103,661	5,172,337
Interest Income from Banks	—	—	—	—	87,901	—	87,901
Interest Income from Money Market Transactions	—	—	—	—	3,869	—	3,869
Interest Income from Securities	—	—	—	—	1,787,386	—	1,787,386
Finance Lease Income	25,315	31,500	—	—	—	—	56,815
Other Interest Income	10,189	15,070	—	—	863	25,024	51,146
Interest Expense	**457,657**	**303,813**	**809,969**	**486,173**	**889,249**	**268,556**	**3,215,417**
Interest Expense on Deposits	386,416	303,813	809,969	486,173	—	210,279	2,196,650
Interest Expense on Funds Borrowed	71,241	—	—	—	158,429	—	229,670
Interest Expense on Money Market Transactions	—	—	—	—	465,913	—	465,913
Interest Expense on Securities Issued	—	—	—	—	264,049	—	264,049
Other Interest Expense	—	—	—	—	858	58,277	59,135
Net Interest Income	**827,859**	**1,955,654**	**774,907**	**(465,282)**	**990,770**	**(139,871)**	**3,944,037**
Net Fees and Commissions Income	**(49,030)**	**367,244**	**490,913**	**12,612**	**43,197**	**(97,516)**	**767,420**
Fees and Commissions Received	97,625	503,946	490,962	12,612	103,668	7,606	1,216,419
Fees and Commissions Paid	146,655	136,702	49	—	60,471	105,122	448,999
Dividend Income	**—**	**—**	**—**	**—**	**237,224**	—	**237,224**
Trading Income/Loss (Net)	**—**	**—**	**—**	**—**	**364,759**	—	**364,759**
Other Income	**455,705**	**919,799**	**515,371**	**16**	**173,992**	**212,142**	**2,277,025**
Prov. for Loans and Other Receivables	**15,544**	**336,156**	**160,471**	**239**	**23,044**	**587,272**	**1,122,726**
Other Operating Expense	**389,764**	**1,156,476**	**1,135,956**	**14,616**	**196,300**	**1,201,320**	**4,094,432**
Income Before Tax	**829,226**	**1,750,065**	**484,764**	**(467,509)**	**1,590,598**	**(1,813,837)**	**2,373,307**
Tax Provision							467,700
Net Period Profit							**1,905,607**
Group Profit/Loss							1,763,589
Minority Shares' Profit/Loss							142,018
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L	—	—	—	—	2,547,667	—	2,547,667
Banks and Other Financial Institutions	—	—	—	—	3,762,318	—	3,762,318
Money Market Placements	—	—	—	—	490,734	—	490,734
Financial Assets Available for Sale	—	—	—	—	30,956,407	—	30,956,407
Loans and Receivables	50,541,203	49,277,270	29,822,757	502,149	0	4,619,794	134,763,173
Held to Maturity Investments	—	—	—	—	10,175,867	—	10,175,867
Associates and Subsidiaries	—	—	—	—	4,086,861	—	4,086,861
Lease Receivables	880,823	704,461	—	—	7,947	—	1,593,231
Other	654,016	521,306	—	—	1,136,857	30,563,471	32,875,650
Total	**52,076,042**	**50,503,037**	**29,822,757**	**502,149**	**53,164,658**	**35,183,265**	**221,251,908**
SEGMENT LIABILITIES AND EQUITY							
Deposits	18,010,919	22,827,107	43,527,627	20,049,215	—	10,231,306	114,646,174
Derivative Financial Liabilities Held for Trading	—	—	—	—	718,007	—	718,007
Funds Borrowed	8,944,486	—	—	—	12,820,173	—	21,764,659
Money Market Funds	—	—	—	—	23,735,239	—	23,735,239
Securities Issued(1)	—	—	—	—	10,092,701	—	10,092,701
Other Liabilities	69,555	—	—	—	241,115	14,761,612	15,072,282
Provisions	—	—	—	—	—	10,684,958	10,684,958
Shareholders' Equity	—	—	—	—	—	24,537,888	24,537,888
Total	**27,024,960**	**22,827,107**	**43,527,627**	**20,049,215**	**47,607,235**	**60,215,764**	**221,251,908**

(1) Includes subordinated bonds, which are classified on the balance sheet as subordinated loans.

The following table sets forth certain information regarding the Group's business segments as of and for the six months ended June 30, 2012:

	As of (or for the six months ended) June 30, 2012						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
				(TL thousands)			
OPERATING INCOME/EXPENSE							
Interest Income	**1,126,943**	**2,151,241**	**1,539,185**	**20,391**	**2,285,515**	**139,571**	**7,262,846**
Interest Income from Loans	1,104,168	2,101,225	1,539,173	20,391	—	113,596	4,878,553
Interest Income from Banks	—	—	—	—	104,208	—	104,208
Interest Income from Money Market Transactions	—	—	—	—	6,394	—	6,394
Interest Income from Securities	—	—	—	—	2,174,913	—	2,174,913
Finance Lease Income	22,775	27,838	—	—	—	—	50,613
Other Interest Income	0	22,178	12	—	—	25,975	48,165
Interest Expense	**650,311**	**528,521**	**1,001,441**	**652,626**	**1,238,759**	**62,586**	**4,134,244**
Interest Expense on Deposits	572,472	528,521	1,001,441	652,626	—	22,841	2,777,901
Interest Expense on Funds Borrowed	77,839	—	—	—	102,024	—	179,863
Interest Expense on Money Market Transactions	—	—	—	—	941,639	—	941,639
Interest Expense on Securities Issued	—	—	—	—	194,574	—	194,574
Other Interest Expense	—	—	—	—	522	39,745	40,267
Net Interest Income	**476,632**	**1,622,720**	**537,744**	**(632,235)**	**1,046,756**	**76,985**	**3,128,602**
Net Fees and Commissions Income	**(23,360)**	**82,529**	**294,167**	**7,842**	**28,099**	**203,026**	**592,303**
Fees and Commissions Received	88,666	243,309	294,179	7,842	52,851	302,079	988,926
Fees and Commissions Paid	112,026	160,780	12	—	24,752	99,053	396,623
Dividend Income	—	—	—	—	**204,528**	—	**204,528**
Trading Income/Loss (Net)	—	—	—	—	**487,624**	—	**487,624**
Other Income	**479,172**	**618,709**	**761,035**	**259**	**85,483**	**233,814**	**2,178,472**
Prov. for Loans and Other Receivables (1)	**9,468**	**247,613**	**164,244**	—	**507**	**404,214**	**826,046**
Other Operating Expense (1)	**453,549**	**811,584**	**1,413,433**	**38,461**	**97,752**	**706,349**	**3,521,128**
Income Before Tax	**469,427**	**1,264,761**	**15,269**	**(662,595)**	**1,754,231**	**(596,738)**	**2,244,,355**
Tax Provision							455,619
Net Period Profit							**1,788,736**
Group Profit/Loss							1,633,028
Minority Shares' Profit/Loss							155,708
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L	—	—	—	—	1,903,870	—	1,903,870
Banks and Other Financial Institutions	—	—	—	—	4,447,222	—	4,447,222
Money Market Placements	—	—	—	—	170,522	—	170,522
Financial Assets Available for Sale	—	—	—	—	33,485,969	—	33,485,969
Loans and Receivables	40,506,643	38,393,354	24,414,835	381,424	0	2,315,958	106,012,214
Held to Maturity Investments	—	—	—	—	11,874,494	—	11,874,494
Associates and Subsidiaries	—	—	—	—	4,127,100	—	4,127,100
Lease Receivables	658,252	670,642	—	—	5,783	—	1,334,677
Other	332,739	667,011	270	—	1,050,085	23,810,977	25,861,082
Total	**41,497,634**	**39,731,007**	**24,415,105**	**381,424**	**57,065,045**	**26,126,935**	**189,217,150**
SEGMENT LIABILITIES AND EQUITY							
Deposits	20,213,069	20,002,929	39,324,563	17,578,947	—	2,761,371	99,880,879
Derivative Financial Liabilities Held for Trading	—	—	—	—	653,534	—	653,534
Funds Borrowed	812,539	—	—	—	18,081,886	—	18,894,425
Money Market Funds	—	—	—	—	21,522,306	—	21,522,306
Securities Issued(1)	—	—	—	—	5,393,622	—	5,393,622
Other Liabilities	28,244	—	—	—	101,163	11,547,168	11,676,575
Provisions	—	—	—	—	—	9,356,470	9,356,470
Shareholders' Equity	—	—	—	—	—	21,839,339	21,839,339
Total	**21,053,852**	**20,002,929**	**39,324,563**	**17,578,947**	**45,752,511**	**45,504,348**	**189,217,150**

(1) Due to a change in reporting for provisions set aside for dividends, an "other provision expense" in the first six months of 2012 of TL 75,506 for the previous year's dividend payment has been reclassified as "other operating expense."

The following table sets forth certain information regarding the Group's business segments as of and for the year ended December 31, 2012:

	As of (or for the year ended) December 31, 2012						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
				(TL thousands)			
OPERATING INCOME/EXPENSE							
Interest Income	*2,261,102*	*4,645,291*	*3,114,741*	*45,054*	*4,343,004*	*267,664*	*14,676,856*
Interest Income from Loans	2,182,957	4,567,218	3,114,740	45,054	—	219,994	10,129,963
Interest Income from Banks	—	—	—	—	199,780	—	199,780
Interest Income from Money Market Transactions	—	—	—	—	7,762	—	7,762
Interest Income from Securities	—	—	—	—	4,135,462	—	4,135,462
Finance Lease Income	47,791	59,319	—	—	—	—	107,110
Other Interest Income	30,354	18,754	1	—	—	47,670	96,779
Interest Expense	*1,231,740*	*973,261*	*1,802,465*	*1,251,535*	*2,191,472*	*384,118*	*7,834,591*
Interest Expense on Deposits	1,073,789	973,261	1,802,465	1,251,535		308,044	5,409,094
Interest Expense on Funds Borrowed	157,951	—	—	—	259,787	—	417,738
Interest Expense on Money Market Transactions	—	—	—	—	1,476,204	—	1,476,204
Interest Expense on Securities Issued	—	—	—	—	454,618	—	454,618
Other Interest Expense	—	—	—	—	863	76,074	76,937
Net Interest Income	**1,029,362**	**3,672,030**	**1,312,276**	**(1,206,481)**	**2,151,532**	**(116,454)**	**6,842,265**
Net Fees and Commissions Income	**7,131**	**192,231**	**588,045**	**17,106**	**57,590**	**396,216**	**1,258,319**
Fees and Commissions Received	237,050	521,742	588,128	17,106	125,172	592,236	2,081,434
Fees and Commissions Paid	229,919	329,511	83	—	67,582	196,020	823,115
Dividend Income	—	—	—	—	205,032	—	205,032
Trading Income/Loss (Net)	—	—	—	—	871,070	—	871,070
Other Income	1,143,989	1,232,846	1,628,798	277	242,517	323,451	4,571,878
Prov. for Loans and Other Receivables	19,673	427,490	244,815	868	26,964	571,735	1,291,545
Other Operating Expense	1,022,088	1,693,298	2,813,307	73,774	196,775	1,984,131	7,783,373
Income Before Tax	**1,138,721**	**2,976,319**	**470,997**	**(1,263,740)**	**3,304,002**	**(1,952,653)**	**4,673,646**
Tax Provision							958,912
Net Period Profit							3,714,734
Group Profit/Loss							3,412,022
Minority Shares' Profit/Loss							302,712
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L	—	—	—	—	2,202,641	—	2,202,641
Banks and Other Financial Institutions	—	—	—	—	4,551,893	—	4,551,893
Money Market Placements	—	—	—	—	81,675	—	81,675
Financial Assets Available for Sale	—	—	—	—	32,173,825	—	32,173,825
Loans and Receivables	41,675,594	42,829,013	27,461,747	403,235	—	2,848,894	115,218,483
Held to Maturity Investments	—	—	—	—	11,048,779	—	11,048,779
Associates and Subsidiaries	—	—	—	—	4,398,434	—	4,398,434
Lease Receivables	755,981	625,349	—	—	3,125	—	1,384,455
Other	1,148,704	169,652	1,159	—	1,108,704	27,586,335	30,014,554
Total	**43,580,279**	**43,624,014**	**27,462,906**	**403,235**	**55,569,076**	**30,435,229**	**201,074,739**
SEGMENT LIABILITIES AND EQUITY							
Deposits	22,271,049	20,078,111	42,741,297	17,726,355	—	3,194,048	106,010,860
Derivative Financial Liabilities Held for Trading	—	—	—	—	760,440	—	760,440
Funds Borrowed	8,235,783	—	—	—	10,926,129	—	19,161,912
Money Market Funds	—	—	—	—	17,030,831	—	17,030,831
Securities Issued(1)	—	—	—	—	8,280,814	—	8,280,814
Other Liabilities	41,365	—	—	—	179,633	14,490,072	14,711,070
Provisions	—	—	—	—	—	10,260,057	10,260,057
Shareholders' Equity	—	—	—	—	—	24,858,755	24,858,755
Total	**30,548,197**	**20,078,111**	**42,741,297**	**17,726,355**	**37,177,847**	**52,802,932**	**201,074,739**

(1) Includes subordinated bonds, which are classified on the balance sheet as subordinated loans.

The following table sets forth certain information regarding the Group's segments as of and for the year ended December 31, 2011:

	As of (or for the year ended) December 31, 2011						
	Corporate	**Commercial**	**Retail**	**Private**	**Treasury/ Investment**	**Unallocated**	**Total**
				(*TL thousands*)			
OPERATING INCOME/EXPENSE							
Interest Income	*1,869,951*	*3,352,299*	*2,180,070*	*59,886*	*4,419,946*	*199,200*	*12,081,352*
Interest Income from Loans	1,831,293	3,256,346	2,180,070	59,886	—	171,222	7,498,817
Interest Income from Banks	—	—	—	—	194,132	—	194,132
Interest Income from Money Market Transactions	—	—	—	—	5,176	—	5,176
Interest Income from Securities	—	—	—	—	4,220,638	—	4,220,638
Finance Lease Income	38,658	63,892	—	—	—	—	102,550
Other Interest Income	—	32,061	—	—	—	27,978	60,039
Interest Expense	*1,180,777*	*676,576*	*1,285,359*	*1,838,853*	*1,549,009*	*133,782*	*6,664,356*
Interest Expense on Deposits	1,036,710	676,576	1,285,359	1,838,853		94,271	4,931,769
Interest Expense on Funds Borrowed	144,067	—	—	—	229,383	—	373,450
Interest Expense on Money Market Transactions	—	—	—	—	1,109,917	—	1,109,917
Interest Expense on Securities Issued	—	—	—	—	209,706	—	209,706
Other Interest Expense	—	—	—	—	3	39,511	39,514
Net Interest Income	**689,174**	**2,675,723**	**894,711**	**(1,778,967)**	**2,870,937**	**65,418**	**5,416,996**
Net Fees and Commissions Income	**(40,718)**	**386,146**	**526,556**	**42,407**	**68,093**	**120,242**	**1,102,726**
Fees and Commissions Received	157,078	387,749	526,556	42,407	124,273	550,611	1,788,674
Fees and Commissions Paid	197,796	1,603	—	—	56,180	430,369	685,948
Dividend Income	**—**	**—**	**—**	**—**	**171,477**	**—**	**171,477**
Trading Income/Loss (Net)	**—**	**—**	**—**	**—**	**446,913**	**—**	**446,913**
Other Income	**881,702**	**1,078,717**	**1,521,386**	**212**	**126,400**	**462,110**	**4,070,527**
Prov. for Loans and Other Receivables	**52,172**	**455,254**	**201,205**	**122**	**21,730**	**764,452**	**1,494,935**
Other Operating Expense	**1,158,205**	**1,481,810**	**2,621,065**	**138,511**	**300,158**	**916,046**	**6,615,795**
Income Before Tax	**319,781**	**2,203,522**	**120,383**	**(1,874,981)**	**3,361,932**	**(1,032,728)**	**3,097,909**
Tax Provision							708,541
Net Period Profit							**2,389,368**
Group Profit/Loss							2,271,539
Minority Shares' Profit/Loss							117,829
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L	—	—	—	—	2,418,121	—	2,418,121
Banks and Other Financial Institutions	—	—	—	—	4,747,906	—	4,747,906
Money Market Placements	—	—	—	—	171,613	—	171,613
Financial Assets Available for Sale	—	—	—	—	33,557,066	—	33,557,066
Loans and Receivables	39,041,767	35,680,743	21,186,496	646,719	—	2,472,397	99,028,122
Held to Maturity Investments	—	—	—	—	13,707,432	—	13,707,432
Associates and Subsidiaries	—	—	—	—	3,979,038	—	3,979,038
Lease Receivables	589,828	784,284	—	—	2,278	—	1,376,390
Other	347,506	404,653	—	—	1,037,294	23,160,689	24,950,142
Total	**39,979,101**	**36,869,680**	**21,186,496**	**646,719**	**59,620,748**	**25,633,086**	**183,935,830**
SEGMENT LIABILITIES AND EQUITY							
Deposits	20,752,480	16,978,330	32,627,973	26,724,791	—	1,748,422	98,831,996
Derivative Financial Liabilities Held for Trading	—	—	—	—	916,086	—	916,086
Funds Borrowed	851,784	—	—	—	18,022,491	—	18,874,275
Money Market Funds	—	—	—	—	22,472,982	—	22,472,982
Securities Issued	—	—	—	—	3,765,876	—	3,765,876
Other Liabilities	37,784	—	—	—	69,080	9,943,314	10,050,178
Provisions	—	—	—	—	—	8,713,868	8,713,868
Shareholders' Equity	—	—	—	—	—	20,310,569	20,310,569
Total	**21,642,048**	**16,978,330**	**32,627,973**	**26,724,791**	**45,246,515**	**40,716,173**	**183,935,830**

The following table sets forth certain information regarding the Group's business segments as of and for the year ended December 31, 2010:

	As of (or for the year ended) December 31, 2010						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
				(*TL thousands*)			
OPERATING INCOME/EXPENSE							
Interest Income	*1,339,854*	*2,197,425*	*2,286,625*	*49,947*	*4,534,449*	*442,450*	*10,850,750*
Interest Income from Loans	1,310,210	2,124,306	2,286,625	49,947	—	409,739	6,180,827
Interest Income from Banks	—	—	—	—	347,848	—	347,848
Interest Income from Money Market Transactions	—	—	—	—	7,954	—	7,954
Interest Income from Securities	—	—	—	—	4,178,647	—	4,178,647
Finance Lease Income	29,634	54,446	—	—	—	—	84,080
Other Interest Income	10	18,673	—	—	—	32,711	51,394
Interest Expense	*982,859*	*257,475*	*1,441,812*	*1,578,893*	*1,168,552*	*10,589*	*5,440,180*
Interest Expense on Deposits	898,026	255,887	1,441,812	1,578,893	—	—	4,174,618
Interest Expense on Funds Borrowed	84,833	1,588	—	—	538,885	—	625,306
Interest Expense on Money Market Transactions	—	—	—	—	623,945	—	623,945
Other Interest Expense	—	—	—	—	—	10,589	10,589
Interest Expense on Securities Issued	—	—	—	—	5,722	—	5,722
Net Interest Income	**356,995**	**1,939,950**	**844,813**	**(1,528,946)**	**3,365,897**	**431,861**	**5,410,570**
Net Fees and Commissions Income	**(44,454)**	**378,432**	**536,516**	**52,791**	**68,269**	**6,337**	**997,891**
Fees and Commissions Received	132,170	380,332	536,516	52,791	86,900	320,491	1,509,200
Fees and Commissions Paid	176,624	1,900	—	—	18,631	314,154	511,309
Dividend Income	**—**	**—**	**—**	**—**	**45,785**	**—**	**45,785**
Trading Income/Loss (Net)	**—**	**—**	**—**	**—**	**292,912**	**—**	**292,912**
Other Income	**798,184**	**985,868**	**952,140**	**500,354**	**207,772**	**587,049**	**4,031,367**
Prov. for Loans and Other Receivables	**12,604**	**351,953**	**465,050**	**564**	**100**	**355,640**	**1,185,911**
Other Operating Expense	**863,399**	**1,088,618**	**2,095,385**	**483,126**	**159,274**	**982,185**	**5,671,987**
Income Before Tax	**234,722**	**1,863,679**	**(226,966)**	**(1,459,491)**	**3,821,261**	**(312,578)**	**3,920,627**
Tax Provision							688,933
Net Period Profit							**3,231,694**
Group Profit/Loss							2,939,156
Minority Shares' Profit/Loss							292,538
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L	—	—	—	—	1,837,110	—	1,837,110
Banks and Other Financial Institutions	—	—	—	—	6,375,798	—	6,375,798
Money Market Placements	—	—	—	—	10,194	—	10,194
Financial Assets Available for Sale	—	—	—	—	36,181,207	—	36,181,207
Loans and Receivables	26,355,764	21,427,397	18,818,025	610,448	—	1,866,170	69,077,804
Held to Maturity Investments	—	—	—	—	14,070,629	—	14,070,629
Associates and Subsidiaries	—	—	—	—	3,541,421	—	3,541,421
Lease Receivables	413,084	549,213	—	—	968	—	963,265
Other	293,434	—	—	—	1,573,475	16,886,399	18,753,308
Total	**27,062,282**	**21,976,610**	**18,818,025**	**610,448**	**63,590,802**	**18,752,569**	**150,810,736**
SEGMENT LIABILITIES AND EQUITY							
Deposits	19,600,577	10,116,335	32,121,512	25,718,143	—	920,052	88,476,619
Derivative Financial Liabilities Held for Trading	—	—	—	—	731,310	—	731,310
Funds Borrowed	563,332	139,301	—	—	13,658,179	—	14,360,812
Money Market Funds	—	—	—	—	12,969,586	—	12,969,586
Securities Issued	—	—	—	—	195,954	—	195,954
Other Liabilities	39,870	—	—	—	52,797	7,436,627	7,529,294
Provisions	—	—	—	—	—	7,560,506	7,560,506
Shareholders' Equity	—	—	—	—	—	18,986,655	18,986,655
Total	**20,203,779**	**10,255,636**	**32,121,512**	**25,718,143**	**27,607,826**	**34,903,840**	**150,810,736**

Financial Condition

The tables below set forth the Group's balance sheet data as of the indicated dates.

	As of December, 31			As of June 30,
	2010	2011	2012	2013
		(TL thousands)		
ASSETS				
Cash And Balances with the Central Bank	**8,595,906**	**13,886,577**	**16,111,127**	**18,436,540**
Financial Assets At Fair Value Through Profit And Loss (Net)	**1,837,110**	**2,418,121**	**2,202,641**	**2,547,667**
Financial Assets Held for Trading	1,837,110	2,418,121	2,202,641	2,547,667
Government Debt Securities	1,052,141	976,193	983,313	1,202,219
Share Certificates	245,928	153,621	195,388	70,731
Derivative Financial Assets Held for Trading	274,615	961,689	642,523	823,839
Other Marketable Securities	264,426	326,618	381,417	450,878
Banks	**6,375,798**	**4,747,906**	**4,551,893**	**3,762,318**
Money Market Placements	**10,194**	**171,613**	**81,675**	**490,734**
Interbank Money Market Placements	—	43,141	—	—
İstanbul Stock Exchange Money Market Placements	1,247	120,520	72,968	464,989
Receivables from Reverse Repurchase Agreements	8,947	7,952	8,707	25,745
Financial Assets Available For Sale (Net)	**36,181,207**	**33,557,066**	**32,173,825**	**30,956,407**
Share Certificates	72,207	70,887	137,480	156,771
Government Debt Securities	32,283,794	30,445,391	30,115,407	28,792,194
Other Marketable Securities	3,825,206	3,040,788	1,920,938	2,007,442
Loans	**69,077,804**	**99,028,122**	**115,218,483**	**134,763,173**
Loans	69,077,804	99,028,122	114,718,779	134,164,840
Loans to the Bank's Risk Group	460,281	702,189	567,177	704,316
Other	68,617,523	98,325,933	114,151,602	133,460,524
Non-Performing Loans	2,463,597	2,109,419	2,154,482	2,444,077
Specific Provisions (-)	2,463,597	2,109,419	1,654,778	1,845,744
Factoring Receivables	**331,320**	**404,653**	**1,014,940**	**797,982**
Held To Maturity Investments (Net)	**14,070,629**	**13,707,432**	**11,048,779**	**10,175,867**
Government Debt Securities	14,052,833	13,686,705	11,033,267	10,154,022
Other Marketable Securities	17,796	20,727	15,512	21,845
Investments In Associates (Net)	**794,592**	**776,951**	**778,281**	**765,171**
Associates Accounted for Using the Equity Method	64,563	74,405	86,722	90,800
Unconsolidated Associates	730,029	702,546	691,559	674,371
Financial Investments	3,150	—	—	—
Non-Financial Investments	726,879	702,546	691,559	674,371
Investments In Subsidiaries (Net)	**2,746,829**	**3,202,087**	**3,620,153**	**3,321,690**
Unconsolidated Financial Subsidiaries	—	—	—	—
Unconsolidated Non-Financial Subsidiaries	2,746,829	3,202,087	3,620,153	3,321,690
Lease Receivables	**963,265**	**1,376,390**	**1,384,455**	**1,593,231**
Finance Lease Receivables	1,126,600	1,599,365	1,606,625	1,823,768
Operating Lease Receivables	968	2,278	3,125	7,947
Unearned Income (-)	164,303	225,253	225,295	238,484
Tangible Assets (Net)	**1,999,633**	**2,166,852**	**2,139,784**	**2,187,072**
Intangible Assets (Net)	**56,114**	**120,352**	**189,627**	**257,021**
Goodwill	7,170	29,590	35,974	35,974
Other	48,944	90,762	153,653	221,047
Investment Property (Net)	**1,242,157**	**1,037,294**	**1,108,704**	**1,136,857**
Tax Assets	**836,057**	**655,919**	**738,397**	**711,905**
Current Tax Asset	15,321	20,135	34,424	45,787
Deferred Tax Asset	820,736	635,784	703,973	666,118
Assets Held For Sale	**54,233**	**60,256**	**73,295**	**83,091**
Other Assets	**5,637,888**	**6,618,239**	**8,638,680**	**9,265,182**
Total Assets	**150,810,736**	**183,935,830**	**201,074,739**	**221,251,908**

	As of December 31			As of June 30,
	2010	2011	2012	2013
		(TL thousands)		
LIABILITIES & EQUITY				
Deposits	**88,476,619**	**98,831,996**	**106,010,860**	**114,646,174**
Deposits from the Bank's Risk Group	2,287,626	2,133,162	2,291,383	2,460,994
Other	86,188,993	96,698,834	103,719,477	112,185,180
Derivative Financial Liabilities Held for Trading	**731,310**	**916,086**	**760,440**	**718,007**
Funds Borrowed	**14,282,865**	**18,779,275**	**19,072,787**	**21,669,225**
Money Market Funds	**12,969,586**	**22,472,982**	**17,030,831**	**23,735,239**
Interbank Money Market Funds	—	—	19,458	—
İstanbul Stock Exchange Money Market Funds	1,539,620	1,975,830	2,180,946	1,962,710
Funds Provided Under Repurchase Agreements	11,429,966	20,497,152	14,830,427	21,772,529
Marketable Securities Issued (Net)	**195,954**	**3,765,876**	**6,476,363**	**8,151,778**
Bills	195,954	1,888,329	3,487,256	3,661,244
Bonds	—	1,877,547	2,989,107	4,490,534
Funds	**—**	**7,894**	**9,745**	**6,348**
Sundry Creditors	**5,946,252**	**7,161,721**	**9,184,478**	**10,489,117**
Other Liabilities	**1,181,867**	**2,442,482**	**4,884,994**	**4,338,712**
Provisions	**7,560,506**	**8,713,868**	**10,260,057**	**10,684,958**
General Loan Loss Provision	745,322	1,315,935	1,705,153	2,072,094
Reserves for Employee Benefits	244,661	287,456	406,691	449,834
Insurance Technical Reserves (Net)	3,792,063	4,334,641	4,651,413	4,759,083
Other Provisions	2,778,460	2,775,836	3,496,800	3,403,947
Tax Liability	**401,175**	**438,081**	**631,853**	**238,105**
Current Tax Liability	396,363	433,991	624,583	233,975
Deferred Tax Liability	4,812	4,090	7,270	4,130
Subordinated Loans	**77,947**	**95,000**	**1,893,576**	**2,036,357**
Shareholders' Equity	**18,986,655**	**20,310,569**	**24,858,755**	**24,537,888**
Paid-in Capital	4,500,000	4,500,000	4,500,000	4,500,000
Capital Reserves	2,890,175	2,808,602	4,261,752	2,781,762
Share Premium	33,937	33,937	33,940	33,940
Marketable Securities Revaluation Reserve	1,241,479	1,159,906	2,613,053	1,133,063
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	(1,179)	(1,179)	(1,179)	(1,179)
Other Capital Reserves	1,615,938	1,615,938	1,615,938	1,615,938
Profit Reserves	5,918,120	8,352,002	10,402,674	13,201,320
Legal Reserves	1,610,119	1,838,830	2,031,309	2,286,040
Statutory Reserves	28,293	39,586	48,553	59,539
Extraordinary Reserves	4,312,543	6,363,264	8,318,990	10,813,190
Other Profit Reserves	(32,835)	110,322	3,822	42,551
Profit or Loss	3,028,597	2,179,515	2,802,512	1,148,830
Prior Years' Profit/Loss	89,441	(92,024)	(609,510)	(614,759)
Current Year Profit/Loss	2,939,156	2,271,539	3,412,022	1,763,589
Minority Shares	2,649,763	2,470,450	2,891,817	2,905,976
Total Liabilities and Equity	**150,810,736**	**183,935,830**	**201,074,739**	**221,251,908**

Assets

As of June 30, 2013, the Group had total assets of TL 221,252 million, an increase of 10.0% compared to TL 201,075 million as of December 31, 2012. The overall increase in the Group's total assets was primarily attributable to 17.0% and 14.4% increases in loans and "Cash and Balances with the Central Bank," respectively. As of June 30, 2013, 93.2% of the Group's total assets were in Turkey. Additional information regarding the Group's assets is set forth in "*Selected Statistical and Other Information*."

Cash and Balances with the Central Bank

As of June 30, 2013, the Group's cash and balances with the Central Bank was TL 18,437 million, an increase of 14.4% compared to TL 16,111 million as of December 31, 2012. In addition to the increase in reserves resulting from the increase in liabilities, the increase mainly arose from the Central Bank's decision in the first quarter of 2013 to require banks to hold higher levels of reserves. In addition, the Central Bank also gradually raised coefficients relating to the Reserve Option Mechanism, which gives Turkish banks the option to hold foreign exchange or gold reserves in place of a fraction of their Turkish Lira reserve requirements. Accordingly, due to higher option coefficients, the Group has started to hold higher levels of foreign-exchange-denominated reserves for Turkish Lira liabilities.

Loans, Leasing and Factoring Receivables

As of June 30, 2013, the Group had loans, leasing and factoring receivables of TL 136,556 million, an increase of 16.6% compared to TL 117,118 million as of December 31, 2012. This increase in the Group's loans, leasing and factoring receivables was primarily attributable to a 17.0% increase in loans, principally due to the 15.7% increase in Turkish Lira-denominated loans. This increase in Turkish Lira loans was primarily driven by a 17.6% increase in non-retail Turkish Lira-denominated loans. The increase in foreign currency-denominated loans was 19.2%. The growth in foreign currency-denominated loans was 12.7% when adjusted for the change in currency. Additional information regarding the Group's loan portfolio is set forth in "*Selected Statistical and Other Information – Loan Portfolio*."

Liabilities

As of June 30, 2013, the Group had total liabilities of TL 196,714 million, an increase of 11.6% compared to TL 176,216 million as of December 31, 2012. The overall increase in the Group's total liabilities was primarily attributable to a 39.4% increase in funds borrowed under repurchase agreements, an 8.1% increase in deposits and a 16.1% increase in funds borrowed. Additional information regarding the Group's liabilities is set forth in "*Selected Statistical and Other Information*."

Shareholders' Equity

As of June 30, 2013, the Group's shareholders' equity amounted to 11.1% of the Group's total assets, compared to 12.4% as of December 31, 2012. TL 797 million allocated for dividend payments was deducted from shareholders' equity in the six months ended June 30, 2013, which in turn limited the growth in shareholders' equity. Total shareholders' equity was TL 18,987 million, TL 20,311 million, TL 24,859 million and TL 24,538 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

Off-Balance Sheet Arrangements

The aggregate amount of off-balance sheet arrangements, comprising guarantees, letters of credit and similar obligations, totaled TL 33,933 million as of June 30, 2013, compared with TL 30,097 million as of December 31, 2012. The increase was largely due to the 12.8% increase in the letters of guarantee portfolio. Additional information regarding the Group's off-balance sheet arrangements is set forth in "*Contingencies and Commitments*" below and "*Selected Statistical and Other Information*."

Capital Adequacy

Each of the Bank and the Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures (commitment and contingencies). In accordance with these guidelines, each of the Bank and the Group must maintain a total capital ratio in excess of 8% calculated in accordance with BRSA regulations. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio. As stated above, under the Regulation on the Equities of Banks, which will enter into effect on January 1, 2014, Tier I capital will be divided into core Tier I capital and additional Tier I capital. In connection with such classification, the regulation amending the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which will also enter into effect on January 1, 2014, introduces new ratios for the evaluation of capital adequacy. Under the provisions of these amendments, the minimum required total capital ratio will remain at 8% while the core capital adequacy ratio and Tier 1 capital adequacy ratio will be 4.5%

and 6%, respectively. Each of the Bank and the Group currently satisfies the capital requirements of the BRSA.

The BRSA also maintains a policy, on a bank-by-bank basis, of requiring a higher capital adequacy ratio for banks that are seeking to open new branches, with a rate of 12% currently being applied to the Bank. As of June 30, 2013 and December 31, 2012, 2011 and 2010, the Group's capital adequacy ratio was 14.72%, 16.28%, 14.11% and 17.55%, respectively (14.79%, 16.33%, 14.07% and 17.55%, respectively, for the Bank). The Bank intends to maintain its (and the Group's) capital ratios in excess of those required by both Turkish law and internal risk limits determined by Board of Directors (see "*Risk Management*" in the Base Prospectus).

The following table sets out information on the Group's capital and its capital adequacy ratios as of the indicated dates; *it being understood* that such capital adequacy levels for 2011 and 2010 would be different if calculated on the basis of Basel II, which became applicable as of July 1, 2012 and thus is reflected in the calculations as of December 31, 2012 and June 30, 2013.

	As of December 31			As of June 30,
	2010	**2011**	**2012**	**2013**
	(*TL thousands, except percentages*)			
Paid-in capital	4,500,000	4,500,000	4,500,000	4,500,000
Paid-in capital inflation adjustments	1,615,938	1,615,938	1,615,938	1,615,938
Profit reserves	5,918,120	8,175,522	10,113,697	12,914,234
Profit	3,028,597	2,179,515	2,802,512	1,148,830
Tier I Capital (I)	17,982,133	19,841,319	22,715,413	23,948,866
Tier II Capital (II)	1,484,552	1,698,000	4,815,882	4,498,642
Deductions (III)	115,841	352,225	205,724	159,747
Own Funds (I+II-III)	19,350,844	21,187,094	27,325,571	28,287,761
Risk Weighted Assets (including market and operational risk)	110,259,498	150,205,299	167,802,600	192,128,988
Capital Ratios:				
Tier I Ratio	16.3%	13.2%	13.5%	12.5%
Own Funds/Risk Weighted Assets	17.6%	14.1%	16.3%	14.7%

The significant increases in the Group's capital in each of these periods represented the growth in the Group's retained earnings. The Group's capital adequacy ratios decreased in 2011 as a result of increases in the amount of loans made by the Group as market conditions improved in this period.

Non-Financial Participations/Non-BRSA consolidated subsidiaries

As of June 30, 2013, the significant strategic non-financial equity participations of the Bank were Şişecam Group and Avea İletişim Hizmetleri A.Ş. ("*Avea*"). These participations are strategic in the sense that they are long-term investments of the Bank in companies with strong market positions in Turkey and neighboring areas. The following tables set forth certain information regarding Şişecam Group and Avea (for which interim financial statements are not available). For a discussion of the differences between the BRSA Financial Statements and the IFRS Financial Statements, see Appendix 1 ("*Overview of Significant Differences Between IFRS and BRSA Accounting Principles*") to the Base Prospectus.

These non-financial participations are not consolidated in the income statement of the consolidated BRSA Financial Statements; *however*, they are shown under the "Investments in Associates" and "Investments in Subsidiaries" line items at their book values in the consolidated BRSA Financial Statements. If dividends are received from these non-financial participations, then such dividends are reflected in the applicable period's income statement of the consolidated BRSA Financial Statements.

Türkiye Şişe ve Cam Fabrikaları A.Ş. (Consolidated)

	As of (or for the year ended) December 31			As of (or for the six months ended) June 30,	
	2010	2011	2012	2012	2013
			(TL thousands)		
Total Assets	6,769,991	8,254,776	8,721,608	8,317,444	10,419,042
Total Liabilities	2,623,208	3,098,455	3,115,667	3,058,132	4,335,304
Profit/(loss) for the period	484,314	740,564	318,863	208,217	160,818

AVEA İletişim Hizmetleri A.Ş.

	As of (or for the year ended) December 31		
	2010	2011	2012
		(TL thousands)	
Total Assets	10,653,963	10,953,269	10,694,873
Total Liabilities	5,036,491	6,376,164	2,493,977
Profit/(loss) for the period	(962,939)	(1,040,680)	(752,521)

Liquidity and Funding

The Group's principal sources of funding are deposits from retail and corporate customers, including other banks. Currently, the Bank's strategy is to fund itself mainly using deposits from its extensive customer base and to use funds borrowed and money market funds for the remaining part, although this approach is subject to change depending upon market opportunities and changes in prevailing rates for deposits and other funding sources. For further discussion on the Group's risk management policies relating to funding, see, "*Risk Management – Funding*" in the Base Prospectus.

The tables below set out the Group's principal sources of funding as of the dates indicated:

	As of June 30, 2013		
	TL	Foreign Currencies	Total
		(TL thousands)	
Deposits	69,160,530	45,485,644	114,646,174
Repos and Money Market Funds	20,092,979	3,642,260	23,735,239
Funds Borrowed[(1)]	7,112,151	24,745,209	31,857,360

(1) Including marketable securities issued (consisting of TL- and foreign-currency denominated bills and bonds issued by the Group) and subordinated loans.

	As of December 31, 2010			As of December 31, 2011			As of December 31, 2012		
	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total
					(TL thousands)				
Deposits	58,510,364	29,966,255	88,476,619	59,387,345	39,444,651	98,831,996	63,574,673	42,436,187	106,010,860
Repos and Money Market Funds	9,077,523	3,892,063	12,969,586	16,425,130	6,047,852	22,472,982	13,673,648	3,357,183	17,030,831
Funds Borrowed[(1)]	1,104,092	13,452,674	14,556,766	3,364,576	19,275,575	22,640,151	6,524,724	20,918,002	27,442,726

(1) Including marketable securities issued (consisting of TL- and foreign-currency denominated bills and bonds issued by the Group) and subordinated loans.

The Group's customer deposits constituted in aggregate approximately 51.8%, 52.7%, 53.7% and 58.7% of its total liabilities and shareholders' equity as of June 30, 2013, December 31, 2012, 2011 and 2010, respectively. As of June 30, 2013, the Group's customer deposits amounted to TL 114,646 million, an increase of 8.1% from TL 106,011 million as of December 31, 2012, itself an increase of 7.3% from TL 98,832 million as of December 31, 2011 (TL 88,477 million as of December 31, 2010).

For more information on deposits with the Group, see "*Selected Statistical and Other Information – Deposits*."

For tables setting out the maturity structure of the Group's deposits with a breakdown of the source of deposits for the six months ended June 30, 2013 and the years ended December 31, 2010, 2011 and 2012, see Part Five, II.a of the Group's BRSA Financial Statements.

The remaining sources of funds for the Group are funds borrowed, repos and money market funds, which accounted for 24.5%, 22.1% and 25.1% of the Group's total liabilities as of December 31, 2011, December 31, 2012 and June 30, 2013, respectively. Funds borrowed are mainly composed of borrowings from foreign banks and institutions, subordinated loans and marketable securities issued by the Group consisting of TL- and foreign-currency denominated bills and bonds. Funds borrowed represented 14.4%, 13.6%, 12.3% and 9.7% of the Group's total liabilities as of June 30, 2013 and December 31, 2012, 2011 and 2010, respectively. As of June 30, 2013, the amount of the Group's total foreign currency-denominated borrowings was equivalent to 4.1% of the amount of its consolidated assets.

The tables below set out the Group's funding from banks and other institutions with regard to the kind of institution that provides the funding as of the dates indicated:

	As of June 30, 2013	
	TL	**Foreign Currencies**
	(TL thousands)	
Funds borrowed from the domestic banks and institutions	861,750	516,004
Funds borrowed from foreign banks, institutions and funds	1,478,745	20,849,083
Marketable securities issued	4,771,656	3,380,122
Total	**7,112,151**	**24,745,209**

	As of December 31					
	2010		**2011**		**2012**	
	TL	**Foreign Currencies**	**TL**	**Foreign Currencies**	**TL**	**Foreign Currencies**
	(TL thousands)					
Funds borrowed from domestic banks and institutions	873,131	483,658	501,011	766,941	1,003,219	548,672
Funds borrowed from foreign banks, institutions and funds	35,007	12,891,069	41,140	17,470,183	843,131	16,677,765
Marketable securities issued	195,954	—	2,822,425	943,451	4,678,374	1,797,989
Subordinated loans	—	77,947	—	95,000	—	1,893,576
Total	**1,104,092**	**13,452,674**	**3,364,576**	**19,275,575**	**6,524,724**	**20,918,002**

The tables below set out the Group's funds borrowed based upon their maturity as of the dates indicated:

	As of June 30, 2013	
	TL	**Foreign Currencies**
	(TL thousands)	
Short-term	5,740,221	6,823,821
Medium and Long-term	1,371,930	17,921,388
Total	**7,112,151**	**24,745,209**

	As of December 31					
	2010		2011		2012	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
			(TL thousands)			
Short-term	1,101,223	4,883,754	2,380,050	6,539,309	5,278,082	5,976,423
Medium and Long-term	2,869	8,568,920	984,526	12,736,266	1,246,642	14,941,579
Total	**1,104,092**	**13,452,674**	**3,364,576**	**19,275,575**	**6,524,724**	**20,918,002**

Borrowings from foreign banks and institutions include syndicated loans, "diversified payment rights" (DPR) and credit card future flow transactions, eurobonds and other fund-raisings. Details of the Bank's syndicated loans, future flow transactions and eurobonds as of June 30, 2013 (and, for syndicated loans maturing in September 2013, the refinancings thereof) are as follows:

Outstanding Principal	Final Maturity	Interest rate %
$28 million DPR issuance	November 2014	Libor + 1.83%
$36.9 million credit card issuance	January 2014	Libor + 1.00%
$25.7 million credit card issuance	January 2014	Libor + 0.25%
$32.5 million DPR issuance	May 2014	Libor + 0.93%
$28.5 million DPR issuance	May 2014	Libor + 0.23%
$45 million DPR issuance	May 2014	Libor + 0.16%
$38 million DPR issuance	August 2013	Libor + 0.92%
$155 million DPR issuance	February 2015	Libor + 0.82%
$25 million DPR issuance	February 2014	Libor + 0.86%
$75 million DPR issuance	November 2016	Varies
€40 million DPR issuance	November 2016	Varies
€60 million DPR issuance	November 2018	Varies
€60 million DPR issuance	November 2016	Varies
€50 million DPR issuance	August 2024	Varies
€75 million DPR issuance	August 2024	Varies
$175 million DPR issuance	August 2017	Varies
$50 million DPR issuance	August 2017	Varies
$441 million syndicated loan	May 2014	Libor + 0.5%
€631 million syndicated loan	May 2014	Euribor + 0.5%
$391.0 million syndicated loan	September 2014	Libor + 0.3%
€651.5 million syndicated loan	September 2014	Euribor + 0.3%
$500 million eurobond	February 2016	5.10%
$1,000 million subordinated eurobond	October 2022	6.00%
$500 million eurobond	November 2017	3.875%
$750 million eurobond	October 2018	3.750%

Since June 30, 2013, the Bank has issued certain small Series of Notes under the Program. The Bank may issue, from time to time, additional Series of Notes under the Program, which (as permitted by the Program) may be in any currency, with any tenor and with any interest rate, which issuances may be listed or unlisted.

In addition to the above, the Group has entered into various transactions with multilateral and developmental institutions, export credit agencies and other lenders, principally for the purposes of financing project financings, micro, small and medium-sized enterprises, energy efficiency projects or certain imports.

Many of the Group's financings include provisions permitting the applicable creditors to require the accelerated repayment of the applicable indebtedness, including as a result of a breach of a financial or other covenant or the occurrence of a change of control. The Group monitors its compliance with its obligations under its financing arrangements in order to seek to avoid any such acceleration.

As of the date of this Prospectus, the Bank's management believes that the Bank's and the Group's liquidity is sufficient for its present requirements for at least the next 12 months from the date of this Prospectus.

Contingencies and Commitments

Guarantees. The Group offers its customers products such as guarantees and letters of credit to meet its customers' needs for commercial banking services, frequently in connection with their customers' export and import activities. These products do not appear on the Group's balance sheet. For the breakdown of contingencies and commitments, see Part Five, III of the Group's BRSA Financial Statements.

As of June 30, 2013, the Group had issued letters of credit amounting to TL 5,225 million, guarantees amounting to TL 25,879 million, acceptance credits amounting to TL 2,168 million and other guarantees and endorsements amounting to TL 661 million.

The table below sets forth the Group's total off-balance sheet guarantees as of the indicated dates.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
		(TL thousands)		
Letters of guarantee	12,464,904	19,924,273	22,947,461	25,879,277
Acceptance credits	211,538	876,324	1,298,250	2,167,717
Letters of credit	3,380,888	5,761,529	5,220,486	5,225,094
Other guarantees(1)	372,685	714,960	631,010	660,698
Total	**16,430,015**	**27,277,086**	**30,097,207**	**33,932,786**

(1) Includes endorsements.

Derivatives. The Group enters into forward and swap contracts to provide hedging services for itself and its clients. The table below sets forth the Group's total derivative transactions, by currency, as of the dates indicated.

	As of June 30, 2013					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
Forward foreign exchange contracts	5,180,366	4,501,102	9,681,468	1,499,727	8,167,996	9,667,723
Currency Swaps	3,349,307	10,749,663	14,098,970	5,178,125	9,059,242	14,237,367
Interest rate swaps	2,700,000	10,592,725	13,292,725	2,700,000	10,592,725	13,292,725
Currency options	2,375,963	4,379,934	6,755,897	1,874,966	4,875,870	6,750,836
Interest rate options	60,000	937,165	997,165	60,000	937,165	997,165
Marketable security and index options	4,953	-	4,953	4,942	35,579	40,521
Currency futures	26,723	6,831	33,554	6,524	26,396	32,920
Interest rate futures	-	-	-	-	-	-

	As of December 31, 2012					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
Forward foreign exchange contracts	3,386,864	3,699,476	7,086,340	1,353,431	5,704,620	7,058,051
Currency Swaps	1,260,755	8,659,050	9,919,805	2,874,097	6,344,991	9,219,088
Interest rate swaps	3,594,000	10,129,215	13,723,215	3,594,000	10,129,215	13,723,215
Currency options	1,435,814	2,799,876	4,235,690	1,009,761	3,207,375	4,217,136
Interest rate options	60,000	1,197,956	1,257,956	60,000	1,197,956	1,257,956
Marketable security and index options	16,032	—	16,032	16,018	—	16,018
Currency futures	16,146	3,180	19,326	—	17,800	17,800
Interest rate futures	—	—	—	—	—	—

	As of December 31, 2011					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
Forward foreign exchange contracts	4,624,783	4,366,439	8,991,222	1,072,625	7,913,093	8,985,718
Currency Swaps	2,686,329	7,574,161	10,260,490	3,524,951	6,852,196	10,377,147
Interest rate swaps	3,160,000	9,394,219	12,554,219	3,160,000	9,394,219	12,554,219
Currency options	906,064	1,476,887	2,382,951	906,064	1,473,548	2,379,612
Interest rate options	—	2,248,340	2,248,340	—	2,248,340	2,248,340
Marketable security and index options	—	—	—	—	—	—
Currency futures	8,909	14,631	23,540	13,595	9,620	23,215
Interest rate futures	—	—	—	—	—	—

	As of December 31, 2010					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
Forward foreign exchange contracts	1,116,021	2,016,774	3,132,795	370,210	2,756,376	3,126,586
Currency swaps	390,173	7,476,235	7,866,408	4,569,589	3,223,342	7,792,931
Interest rate swaps	1,810,000	5,733,698	7,543,698	1,810,000	5,733,698	7,543,698
Currency options	1,824,011	1,039,882	2,863,893	746,452	2,103,579	2,850,031
Interest rate options	—	438,272	438,272	—	438,272	438,272
Marketable security and index options	3,865	—	3,865	—	3,865	3,865
Currency futures	38,785	4,024	42,809	4,033	39,191	43,224
Interest rate futures	493	—	493	898	1,573,170	1,574,068

Property, Plant and Equipment

The table below sets forth the components of the Group's consolidated property and equipment as of the indicated dates.

	As of December 31,			As of June 30,
	2010	**2011**	**2012**	**2013**
		(TL thousands)		
Buildings	3,594,986	3,640,226	3,582,160	3,548,611
Land improvements	121,921	132,826	140,511	153,285
Construction in progress	11,566	8,769	68,553	88,510
Vehicles	20,018	21,611	19,737	19,311
Other(1)	1,259,693	1,543,262	1,637,831	1,754,379
Depreciation	(3,008,551)	(3,179,842)	(3,309,008)	(3,377,024)
Net book value	1,999,633	2,166,852	2,139,784	2,187,072

(1) Leasing intangible assets, leasehold improvements, office equipments, furniture and fixtures are shown under "other" item.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical and other information for the Group (or, when information about the Group is not readily-available or relevant, the Bank) as of the indicated dates and for the periods indicated. Except as specifically noted herein, the selected statistical and other information should be read in conjunction with the BRSA Financial Statements (including the notes thereto) and the information included in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." All foreign currency amounts in this section were notionally converted into Turkish Lira in the manner described in Section III of the 2012 BRSA Financial Statements.

I. Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

A. Average Balance Sheet and Interest Data

The tables below (derived from the Bank's management accounts) show the Bank's average balances and yield for each of the indicated years. In such tables, unless otherwise stated, average balances are calculated from monthly balances and include interest accruals.

	2010			2011			2012		
	Average Balance	**Avg. Yield**	**Interest Income**	**Average Balance**	**Avg. Yield**	**Interest Income**	**Average Balance**	**Avg. Yield**	**Interest Income**
				(TL thousands, except percentages)					
ASSETS									
Average Interest-Earning Assets									
Total Performing Loans	***54,933,334***	***10.39%***	***5,708,026***	***77,498,824***	***8.87%***	***6,873,235***	***96,381,686***	***9.88%***	***9,520,004***
Turkish Lira	38,317,720	13.12%	5,026,514	50,929,821	11.13%	5,667,417	63,638,632	12.28%	7,813,717
Foreign Currency	16,615,614	4.10%	681,512	26,569,003	4.54%	1,205,818	32,743,054	5.21%	1,706,287
Total Securities	***42,981,769***	***8.53%***	***3,667,042***	***42,858,221***	***8.68%***	***3,721,515***	***39,989,412***	***9.13%***	***3,650,118***
Turkish Lira	31,669,971	10.17%	3,219,436	33,315,447	9.97%	3,323,123	32,585,561	10.26%	3,343,555
Foreign Currency	11,311,798	3.96%	447,606	9,542,774	4.17%	398,392	7,403,851	4.14%	306,563
Total Banks	***5,420,053***	***0.81%***	***44,166***	***2,371,798***	***0.74%***	***17,570***	***2,126,123***	***0.58%***	***12,284***
Turkish Lira	179,527	5.73%	10,278	140,588	4.34%	6,095	99,640	4.40%	4,385
Foreign Currency	5,240,526	0.65%	33,888	2,231,210	0.51%	11,475	2,026,483	0.39%	7,899
Total Money Market Placements[(1)]	***127,619***	***4.51%***	***5,752***	***967***	***7.03%***	***68***	***2,604***	***15.63%***	***407***
Turkish Lira	70,993	6.38%	4,532	744	7.26%	54	2,003	19.32%	387
Foreign Currency	56,626	2.15%	1,220	223	6.28%	14	601	3.33%	20
Total for Average Interest-Earning Assets	**103,462,775**	**9.11%**	**9,424,986**	**122,729,810**	**8.65%**	**10,612,388**	**138,499,825**	**9.52%**	**13,182,813**
Turkish Lira	70,238,211	11.76%	8,260,760	84,386,600	10.66%	8,996,689	96,325,836	11.59%	11,162,044
Foreign Currency	33,224,564	3.50%	1,164,226	38,343,210	4.21%	1,615,699	42,173,989	4.79%	2,020,769
Average Non-Interest-Earning Assets									
Cash and balance with Central Bank[(2)]	6,973,127			13,610,421			14,941,017		
Derivatives	200,222			581,107			724,645		
Equity participations	5,461,081			6,873,503			7,058,766		
Non-performing loans net of allowances	-			-			166,172		
Tangibles	1,830,741			1,825,473			1,811,629		
Other assets	1,850,281			2,164,581			2,362,661		
Total Average Non-Interest Earning Assets	**16,315,452**			**25,055,085**			**27,064,890**		
Total Average Assets	**119,778,227**			**147,784,895**			**165,564,715**		

(1) Calculated from daily balances and does not include interest accruals.
(2) Since the remuneration of required reserves has been ended in 2010, reserves held at the Central Bank were classified as non-interest earning assets and excluded from interest income.

	2010			2011			2012		
	Average Balance	Avg. Rate Paid	Interest Expense	Average Balance	Avg. Rate Paid	Interest Expense	Average Balance	Avg. Rate Paid	Interest Expense
				(TL thousands, except percentages)					
LIABILITIES									
Average Interest-Bearing Liabilities									
Total Deposits (other than demand deposits)	***65,517,027***	***6.50%***	***4,258,690***	***75,942,511***	***6.55%***	***4,977,232***	***80,427,413***	***6.80%***	***5,469,527***
Turkish Lira	43,167,233	8.61%	3,715,843	49,642,645	8.37%	4,155,219	48,963,530	9.15%	4,480,105
Foreign Currency	22,349,794	2.43%	542,847	26,299,866	3.13%	822,013	31,463,883	3.14%	989,422
Funds Borrowed	***9,509,117***	***5.38%***	***511,177***	***9,556,851***	***2.40%***	***229,383***	***10,782,001***	***2.41%***	***259,778***
Turkish Lira	2,182,221	16.34%	356,510	148,290	7.34%	10,891	581,469	8.83%	51,338
Foreign Currency	7,326,896	2.11%	154,667	9,408,561	2.32%	218,492	10,200,532	2.04%	208,440
Funds provided under repurchase agreements[(1)]	***9,917,187***	***4.38%***	***434,702***	***15,161,693***	***5.82%***	***883,115***	***17,696,674***	***6.90%***	***1,221,163***
Turkish Lira	5,528,781	6.51%	359,864	10,601,814	7.54%	799,657	13,303,385	8.53%	1,134,495
Foreign Currency	4,388,406	1.71%	74,838	4,559,879	1.83%	83,458	4,393,289	1.97%	86,668
Debt securities issued[(2)]	-	***0.00%***	-	***2,632,951***	***7.90%***	***208,048***	***5,373,427***	***8.16%***	***438,540***
Turkish Lira	-	0.00%	-	1,913,960	8.68%	166,065	3,915,789	9.43%	369,131
Foreign Currency	-	0.00%	-	718,991	5.84%	41,983	1,457,638	4.76%	69,409
Total for Average Interest-Bearing Liabilities	**84,943,331**	**6.13%**	**5,204,569**	**103,294,006**	**6.10%**	**6,297,778**	**114,279,515**	**6.47%**	**7,389,008**
Turkish Lira	50,878,235	8.71%	4,432,217	62,306,709	8.24%	5,131,832	66,764,173	9.04%	6,035,069
Foreign Currency	34,065,096	2.27%	772,352	40,987,297	2.84%	1,165,946	47,515,342	2.85%	1,353,939
Average Non-Interest-Bearing Liabilities									
Deposits-demand	11,953,203			15,762,984			18,166,361		
Provisions	3,502,867			3,923,363			4,679,884		
Tax liabilities	366,430			243,693			442,287		
Other liabilities	4,042,937			5,652,040			7,561,715		
Total Average Non-Interest-Bearing Liabilities	19,865,437			25,582,080			30,850,247		
Total Average Liabilities	104,888,768			128,876,086			145,129,762		
Total Average Shareholders' Equity and net profit	14,908,832			17,653,478			20,105,855		

(1) Calculated from daily balances and does not include interest accruals.
(2) Includes subordinated bonds, which are classified on the balance sheet as subordinated loans.

B. Net Interest Income Data

In addition to the average yield earned on interest-earning assets and average effective rate paid on interest-bearing liabilities shown above, the following table (derived from the Bank's management accounts) shows the Bank's net interest income, margin (or net yield) on interest-earning assets and spread for each of the indicated years. Averages are based upon daily data (other than margin averages, which are calculated by using quarterly data).

	2010	2011	2012
		(TL thousands, except percentages)	
Net interest income	4,581,875	4,561,800	5,927,917
Turkish Lira	4,193,808	4,140,671	5,307,093
Foreign Currency	388,067	421,129	620,824
Net Interest Margin[(1)]	4.3%	3.7%	4.2%
Spread[(2)(3)]	3.2%	2.8%	2.8%
Turkish Lira	3.4%	2.9%	3.2%
Foreign Currency	1.3%	1.4%	1.3%

(1) Bank-only net interest income divided by bank-only average interest-earning assets. Reserves held at the Central Bank have been excluded from interest-earning assets. Net interest income does not include interest income from the Central Bank.
(2) Spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities.
(3) Average balances are calculated from daily balances and do not include interest accruals. Central Bank balances are excluded from interest-earning assets. Demand deposit accounts are not included in interest-bearing liabilities.

C. Net Changes in Interest Income and Expense – Volume and Rate Analysis

The following tables (derived from the Bank's management accounts) provide a comparative analysis of changes in interest income and interest expense by reference to changes in average volume and rates for each of the indicated years. Changes in interest income and interest expense are attributed to either changes in average balances (volume changes) or changes in average rates (rate changes) for interest-earning assets and sources of funds on which interest is received or interest-bearing liabilities on which interest is expensed. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. Average balances represent the average of the daily balances for the respective year. The Bank does not separately track short-term and long-term interest expense for purposes of calculating net interest income and interest expense. For purpose of the following tables, non-performing loans have been treated as non-interest-earning assets.

	2012/2011		
	Increase (decrease) due to changes in		
	Volume	**Rate**	**Net Change**
		(TL thousands)	
Interest Income			
Total Performing Loans	*1,804,533*	*842,236*	*2,646,769*
Performing Loans in Turkish Lira	1,517,596	628,704	2,146,300
Performing Loans in Foreign Currency	305,564	194,905	500,469
Total Securities	*(322,536)*	*251,139*	*(71,397)*
Securities in Turkish Lira	87,021	(66,589)	20,432
Securities in Foreign Currency	(186,823)	94,994	(91,829)
Total interest income	**1,481,997**	**1,093,375**	**2,575,372**
Interest Expense			
Deposits (other than demand deposits)	*912,621*	*(420,326)*	*492,295*
Deposits in Turkish Lira	514,272	(189,386)	324,886
Deposits in Foreign Currency	259,783	(92,374)	167,409
Funds Borrowed	*30,668*	*(273)*	*30,395*
Funds Borrowers in Turkish Lira	(1,859)	42,306	40,447
Funds Borrowed in Foreign Currency	(50,907)	40,855	(10,052)
Total interest expense	**943,289**	**(420,599)**	**522,690**
Net change in net interest income	**538,708**	**1,513,974**	**2,052,682**

	2011/2010		
	Increase (decrease) due to changes in		
	Volume	**Rate**	**Net Change**
		(TL thousands)	
Interest Income			
Total Performing Loans	*1,810,958*	*(645,750)*	*1,165,208*
Performing Loans in Turkish Lira	1,188,865	(547,963)	640,902
Performing Loans in Foreign Currency	445,166	79,140	524,306
Total Securities	*(10,505)*	*64,978*	*54,473*
Securities in Turkish Lira	162,355	(58,668	103,687
Securities in Foreign Currency	(75,946)	26,732	(49,214)
Total interest income	**1,800,453**	**(580,772)**	**1,219,681**
Interest Expense			
Deposits (other than demand deposits)	*683,003*	*35,539*	*718,542*
Deposits in Turkish Lira	538,534	(99,158)	439,376
Deposits in Foreign Currency	106,434	172,732	279,166
Funds Borrowed	*2,579*	*(284,373)*	*(281,794)*
Funds Borrowers in Turkish Lira	(217,292)	(128,327)	(345,619)
Funds Borrowed in Foreign Currency	47,196	16,629	63,825
Total interest expense	**685,582**	**(248,834)**	**436,748**
Net change in net interest income	**1,114,871**	**(331,938)**	**782,933**

D. Certain Group Information

The following table presents certain selected financial ratios of the Group for each of the indicated years. Averages are calculated from quarterly data.

	2010	**2011**	**2012**
	(TL thousands, except percentages)		
Net Profit (attributable to equityholders of the Group)	2,939,156	2,271,539	3,412,022
Average total assets	139,119,978	168,868,820	191,005,220
Average shareholders' equity[(1)]	14,570,525	17,147,975	19,551,251
Net Income as a percentage of:			
Average total assets	2.11%	1.35%	1.79%
Average shareholders' equity	20.17%	13.25%	17.45%
Average shareholders' equity as a percentage of average total assets	10.47%	10.15%	10.24%
Dividend pay-out ratio (Bank-only)[(2)]	23.2%	20.3%	20.1%

(1) Excluding minority shares.
(2) Dividends corresponding to the period as a percentage of net income for the period.

II. Investment Portfolio

The Group's securities portfolio comprises trading securities (*i.e.*, debt and equity securities that the Group principally holds for the purpose of short-term profit taking, which are reflected on the balance sheet as "financial assets at fair value through profit or loss") and investment securities (*i.e.*, held-to-maturity securities and available-for-sale securities). The Group also enters into purchases (or sales) of securities under agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price (*i.e.*, "repos"). Securities sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for the related security portfolio as appropriate. The Group's portfolio of marketable securities consists primarily of Turkish government securities (including bonds, treasury bills and eurobonds) denominated in Turkish Lira, U.S. Dollars and Euro.

As of December 31, 2012, the size of the Group's aggregate securities portfolio decreased by 8.1% to TL 44,783 million from TL 48,721 million as of December 31, 2011, which in turn decreased by 6.0% from TL 51,814 million as of December 31, 2010. In 2011 and 2012, the Bank continued to change the composition of the asset side of the balance sheet in favor of the loan portfolio in order to meet the increasing demand for loans arising from the solid growth in GDP.

Pursuant to market practice, the Group pledges securities to acquire funding under security repurchase agreements. The securities so pledged amounted to TL 15,895 million as of December 31, 2012, TL 22,812 million as of December 31, 2011 and TL 12,419 million as of December 31, 2010, comprising 35.5%, 46.8% and 24.0%, respectively, of the Group's securities portfolio on such dates. Such securities are included in the tables in this section.

A. Book Value of Investments

The following table sets out a breakdown of securities (on a book-value basis) held by the Group as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
		(TL thousands)	
Investment securities	50,251,836	47,264,498	43,222,604
Available-for-sale portfolio	*36,181,207*	*33,557,066*	*32,173,825*
Held-to-maturity portfolio	*14,070,629*	*13,707,432*	*11,048,779*
Trading portfolio	1,562,495	1,456,432	1,560,118
Total	**51,814,331**	**48,720,930**	**44,782,722**

The following table sets out the Group's total securities portfolio in Turkish currency and in foreign currencies as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
		(TL thousands)	
Turkish Lira-denominated securities	40,996,876	37,308,965	37,370,898
Foreign currency-denominated and indexed securities	10,817,455	11,411,965	7,411,824
Total securities	**51,814,331**	**48,720,930**	**44,782,722**

The following table sets out the Group's total securities portfolio by type of investment as of the dates indicated:

	As of December 31		
	2010	**2011**	**2012**
		(TL thousands)	
Turkish government debt securities(1)	47,388,768	45,108,289	42,131,987
Other marketable debt securities	4,107,428	3,388,133	2,317,867
Equity shares	318,135	224,508	332,868
Total securities	**51,814,331**	**48,720,930**	**44,782,722**

(1) Government debt securities include government bonds, treasury bills and eurobonds.

Investment Portfolio

As noted above, investment securities comprise held-to-maturity securities and available-for-sale securities. Held-to-maturity securities are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Available-for-sale securities are financial assets that are not held for trading purposes or held-to-maturity. Available-for-sale instruments include certain debt and equity investments. The Group classifies investment securities depending upon the intention of management at the time of the purchase thereof, though such can be re-classified if the intention of management later changes.

As of December 31, 2012, the size of the Group's investment portfolio decreased by 8.6% to TL 43.2 billion from TL 47.3 billion as of December 31, 2011, which itself was a decrease of 5.9% from TL 50.3 billion as of December 31, 2010. The decrease in 2011 was a result of a change in the composition of the asset side of the balance sheet as the Bank preferred to increase its loan portfolio (rather than its securities portfolio) in order to meet the increasing demand for loans. In 2012, the shift from the securities portfolio to the loan book continued; loan growth was 16.5% whereas the securities portfolio was reduced by 11.0%. As of December 31, 2012, the loan portfolio represented 60.8% of the Bank's total assets, compared to 56.7% as of December 31, 2011. As a result of strong domestic demand and relatively higher return opportunities, the share of the Group's total assets represented by its loan portfolio increased during both 2011 and 2012, while the share of the Group's investment portfolio decreased during the same period. The relative increase of the Group's loan portfolio and relative decrease of the Group's investment portfolio was in line with general trends within the Turkish banking sector.

Available-for-Sale Portfolio. The Group's portfolio of available-for-sale securities consists of Turkish government bonds and treasury bills, Turkish private sector bonds and eurobonds, foreign eurobonds and equity shares. The following table sets out certain information relating to the Group's portfolio of available for-sale securities as of the dates indicated:

	As of December 31					
	2010		2011		2012	
	(TL thousands, except percentages)					
Turkish government debt securities[1]	32,283,794	89.23%	30,445,391	90.73%	30,115,407	93.60%
Other marketable securities[2]	3,825,206	10.57%	3,040,788	9.06%	1,920,938	5.97%
Equity shares	72,207	0.20%	70,887	0.21%	137,480	0.43%
Total available-for-sale portfolio	**36,181,207**	**100.00%**	**33,557,066**	**100.00%**	**32,173,825**	**100.00%**

(1) Government debt securities include government bonds, treasury bills and eurobonds.
(2) Includes private sector debt securities and mutual funds.

As of December 31, 2012, the size of the Group's available-for-sale securities portfolio decreased by 4.1% to TL 32,173,825 thousand from TL 33,557,066 thousand as of December 31, 2011, itself a decrease of 7.3% as compared to TL 36,181,207 thousand as of December 31, 2010. In 2011 and 2012, the Bank continued to change the composition of the asset side of the balance sheet in favor of the loan portfolio in order to meet the increasing demand for loans arising from the solid growth in GDP.

The average interest rates on the Group's available-for-sale securities portfolio as of December 31, 2012 were: (a) for Turkish Lira-denominated securities, 8.34% (8.66% for the year ended December 31, 2011), (b) for U.S. Dollar-denominated securities, 4.79% (4.27% for the year ended December 31, 2011), and (c) for Euro-denominated securities, 4.86% (4.41% for the year ended December 31, 2011).

Held-to-Maturity Portfolio. The Group's portfolio of held-to-maturity securities consists principally of Turkish Lira-denominated Turkish government bonds and treasury bills, Turkish government eurobonds, foreign private sector bonds and corporate eurobonds. The following table sets out certain information relating to the Group's portfolio of held-to-maturity securities as of the dates indicated:

	As of December 31					
	2010		2011		2012	
	(TL thousands, except percentages)					
Turkish government debt securities[1]	14,052,833	99.87%	13,686,705	99.85%	11,033,267	99.86%
Other marketable debt securities	17,796	0.13%	20,727	0.15%	15,512	0.14%
Total held-to-maturity portfolio	**14,070,629**	**100.00%**	**13,707,432**	**100.00%**	**11,048,779**	**100.00%**

(1) Government debt securities include government bonds, treasury bills and eurobonds.

As of December 31, 2012, the size of the Group's held-to-maturity securities portfolio decreased by 19.4% to TL 11,048,779 thousand from TL 13,707,432 thousand as of December 31, 2011, itself a decrease of 2.6% as compared to TL 14,070,629 thousand as of December 31, 2010. The change in 2011 was attributable to the redemption of marketable securities. The increase in 2010 was attributable to the Bank's decision to purchase securities for investment purposes.

The average interest rates on the Group's held-to-maturity securities portfolio as of December 31, 2012 was: (a) for Turkish Lira-denominated securities, 12.51% (13.13% for the year ended December 31, 2011), (b) for U.S. Dollar-denominated securities, 0.05% (7.42% for the year ended December 31, 2011), and (c) for Euro denominated securities, 0.75% (0.75% for the year ended December 31, 2011).

Trading Portfolio

As noted above, trading securities are debt and equity securities that the Group principally holds for the purpose of short-term profit taking. These include investments and derivative contracts that are not designated as effective hedging instruments under Turkish law. All trading derivatives in a net receivable position (positive fair value) are reported as trading assets, whereas all trading derivatives in a net payable position (negative fair value) are reported as trading liabilities. The Group's portfolio of trading securities principally comprises Turkish government debt, investment participation bills and equity. The Group acts as a market-maker for Turkish government debt.

After initial recognition, securities that are classified as held-for-trading are measured at estimated fair value. Changes in the estimated fair value are included in the Group's BRSA Financial Statements of income included elsewhere in this Prospectus within gains less losses from securities. In determining estimated fair value, trading securities are valued at the last trade price (if quoted on an exchange). When market prices are not available, fair value is determined by the internal rate of return method.

The following table sets out a breakdown of the Group's trading portfolio as of the dates indicated:

	As of December 31					
	2010		2011		2012	
	(TL thousands, except percentages)					
Turkish government debt securities[1]	1,052,141	67.34%	976,193	67.03%	983,313	63.03%
Other marketable debt securities	264,426	16.92%	326,618	22.43%	381,417	24.45%
Equity shares	245,928	15.74%	153,621	10.55%	195,388	12.52%
Total trading portfolio	**1,562,495**	**100.00%**	**1,456,432**	**100.00%**	**1,560,118**	**100.00%**

(1) Government debt securities include government bonds, treasury bills and eurobonds.

As of December 31, 2012, the size of the Group's trading securities portfolio increased by 7.1% to TL 1,560,118 thousand from TL 1,456,432 thousand as of December 31, 2011, itself a decrease of 6.8% as compared to TL 1,562,495 thousand as of December 31, 2010. The change in the trading securities portfolio is attributable to the actions taken by the Group to benefit from price or rate changes and to meet demand from clients.

The average interest rates on the Group's trading securities portfolio as of December 31, 2012 were: (a) for Turkish Lira-denominated securities, 8.04% (10.97% for the year ended December 31, 2011), (b) for U.S. Dollar-denominated securities, 5.24% (7.70% for the year ended December 31, 2011), and (c) for Euro denominated securities, 2.31% (4.10% for the year ended December 31, 2011).

B. Maturities of Investments

The following table sets out the maturities of the securities in the Group's securities portfolio (excluding equity shares but including accrued interest) as of year-end 2012.

	As of December 31, 2012				
	1 year or less	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total**
			(TL thousands)		
Available-for-sale securities........	6,631,209	14,076,562	10,424,175	785,145	31,917,091
Held-to-maturity securities..........	3,668,536	7,374,212	6,031	-	11,048,779
Trading securities........................	557,297	489,032	169,975	2,025	1,218,329
Total	**10,857,042**	**21,939,806**	**10,600,181**	**787,170**	**44,184,199**

C. Investment Concentrations

As of December 31, 2012, the Group did not hold debt securities of any one issuer that (in the aggregate) had a book value in excess of 10% of the Group's shareholders' equity, other than securities issued by the Turkish government. As of December 31, 2012, the Group's TL 42,131,987 thousand of Turkish government securities represented 169.5% of the Group's shareholders' equity.

D. Equity Participations and Investments in Associates

For a description of the members of the Group that have been included in the BRSA Financial Statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Consolidation of Subsidiaries and Associates*." Further information on the Bank's subsidiaries and associates is included in "*Business of the Group – Subsidiaries and Affiliates*" in the Base Prospectus.

Under the line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Bank on a line-by-line basis. The book value of the Bank's investment in each of the subsidiaries and the Group's portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Bank and its consolidated subsidiaries are eliminated reciprocally. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's shareholders' equity. Minority interests are presented separately in the balance sheet and in the income statement.

Arap Türk Bankası A.Ş. is the only associate that is consolidated using the equity method. The equity method is an evaluation method for associates, by which the book value of the Bank's share in the associate's equity is increased or decreased by the proportional share of the Bank in the change in the associate company's equity and the dividends received by the Bank are deducted.

III. Loan Portfolio

Loans and advances to customers represent the largest component of the Group's assets. As of December 31, 2012, the Group's total cash loans net of allowance for possible losses equaled TL 115.2 billion, or 57.3% of total assets (when including non-cash loans, TL 145.3 billion, representing 72.3% of total assets). In addition to loans, the Group had outstanding as of December 31, 2012 guarantees amounting to TL 22.9 billion, acceptances amounting to TL 1.3 billion and letters of credit amounting to TL 5.2 billion. As discussed below, there are several important characteristics of the Group's loan portfolio, including diversification based upon sector, type of borrower, maturity, currency and geography.

As of December 31, 2012, the Group's net cash total loans and advances to customers, less allowance for possible losses, amounted to TL 115.2 billion, which represented 57.3% of the Group's total assets, compared to TL 99.0 billion (53.8% of the Group's total assets) as of December 31, 2011 and

TL 69.1 billion (45.8% of the Group's total assets) as of December 31, 2010. The Group's portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 16.3% as of December 31, 2012 compared to year-end 2011 after having increased by 43.4% in 2011. The contribution of foreign currency denominated loans to the increase in 2011 was much higher than that of Turkish Lira-denominated loans, whereas the contribution of Turkish Lira-denominated loans was more responsible for the increase in 2012 – foreign currency-denominated loans grew by 62.2% and 8.9% in 2011 and 2012, respectively, whereas Turkish Lira-denominated loans grew by 33.4% and 20.3% in 2011 and 2012, respectively. Appreciation in the value of foreign exchange also contributed to foreign currency-denominated loan growth in 2011. In 2012, when the impact of the appreciation in foreign exchange is excluded, the increase in foreign currency-denominated loans diminishes to 32.9% (in 2011, when the impact of the depreciation in foreign exchange is excluded, the increase in foreign currency-denominated loans climbs to 14.7%).

As of December 31, 2012, the average effective interest rates charged to borrowers were 4.83% for U.S. Dollars, 5.33% for Euro and 12.91% for Turkish Lira (4.50%, 5.12% and 13.99% and 3.70%, 4.42% and 12.89% as of December 31, 2011 and 2010, respectively).

A. Types of Loans

The Bank's strategy in lending is to emphasize retail and commercial banking while maintaining its strong presence in the corporate banking market, maintaining its customer-focused approach and serving its customers better by continuing to increase its operational efficiency; see "*Business of the Group – Strategy*" in the Base Prospectus.

Types of Borrowers. The following table sets forth the Group's performing cash loans, including accrued interest, by type of loan and the percentage contribution to the total loan portfolio, as of the dates indicated.

	2010		**2011**		**2012**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
			(*TL thousands, except percentages*)			
Public Sector Loans.............	1,866,916	2.70%	2,165,841	2.19%	1,965,843	1.71%
Private Sector Loans............	67,210,888	97.30%	96,862,281	97.81%	113,252,640	98.29%
Total Loans.........................	**69,077,804**	**100.00%**	**99,028,122**	**100.00%**	**115,218,483**	**100.00%**

Loans to the public sector comprise mainly project finance loans representing long-term loans extended in relation to infrastructure construction under the management and guarantee of the Undersecretariat of the Treasury of the Republic of Turkey. The Group is within the limits imposed by Turkish banking regulations with respect to its exposure to any one borrower or group of borrowers, including to Group companies. According to the Banking Law, the single exposure limit is set at 20% of a bank's own funds in the case of a related party group and 25% of a bank's own funds in the case of a non-related party group.

As of December 31, 2012, the Bank's loan portfolio comprised 43.3% corporate (as defined by the Corporate Definition), 28.1% SME (as defined by the BRSA SME Definition), 21.0% consumer and 7.6% credit card loans. According to the earlier BRSA definition that was applicable before November 4, 2012, as of December 31, 2012, the Bank's loan portfolio would have comprised 49.1% corporate, 22.3% SME, 21.0% consumer and 7.6 % credit card loans.

Geographic Region of Loans. For each of 2010, 2011 and 2012, the share of domestic Turkish loans was approximately 97 or 98%. Of the loans made to borrowers outside Turkey, there was no material concentration in any one country over these periods. The following table (derived from the Bank's management accounts) shows the geographic distribution of the Bank's loan portfolio (by location of the branch) as of the dates indicated:

	As of December 31					
	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
	(*TL thousands, except percentages*)					
Aegean Region	6,328,484	9.16%	8,912,877	9.00%	10,919,126	9.52%
Black Sea Region	2,941,094	4.26%	3,936,698	3.98%	4,644,437	4.05%
Central Anatolia Region	12,606,210	18.25%	19,095,771	19.28%	21,842,442	19.04%
Eastern Anatolia Region	1,040,284	1.51%	1,459,780	1.47%	2,018,053	1.76%
Marmara Region	31,034,960	44.92%	44,671,083	45.11%	52,276,501	45.56%
Mediterranean Region	5,567,809	8.06%	8,640,521	8.73%	10,296,311	8.98%
Southeastern Anatolia Region	2,066,191	2.99%	3,269,489	3.30%	4,349,745	3.79%
International	7,492,772	10.85%	9,041,903	9.13%	8,372,164	7.30%
Total Performing Loans	**69,077,804**	**100.00%**	**99,028,122**	**100.00%**	**114,718,779**	**100.00%**
Non-Performing Loans	2,463,597		2,109,419		2,154,482	
Total Loans	**71,541,401**		**101,137,541**		**116,873,261**	
Allowance for Loan Losses	2,463,597		2,109,419		1,654,778	
Total Net Loans	**69,077,804**		**99,028,122**		**115,218,483**	

Currency of Loans. As of December 31, 2012, foreign currency risk-bearing loans comprised 40.7% of the Group's loan portfolio (of which U.S. Dollar-denominated obligations were the most significant), compared to 43.8% as of December 31, 2011 and 39.6% as of December 31, 2010.

The following table sets out an analysis by currency of the exposure of the Group's performing cash loan portfolio (including interest and other accruals) as of the dates indicated:

	As of December 31					
	2010		2011		2012	
	(*TL thousands, except percentages*)					
Cash Loans						
Turkish Lira	*45,265,560*	*52.94%*	*60,393,116*	*47.82%*	*73,101,703*	*50.31%*
Foreign Currency	*23,812,244*	*27.85%*	*38,635,006*	*30.58%*	*42,116,780*	*28.98%*
U.S. Dollars	15,561,571	18.20%	25,570,211	20.24%	27,631,454	19.02%
Euro	8,105,126	9.48%	12,519,927	9.91%	13,533,987	9.31%
Other	145,547	0.17%	544,868	0.43%	951,339	0.65%
Total Cash Loans	**69,077,804**	**80.79%**	**99,028,122**	**78.40%**	**115,218,483**	**79.29%**
Non-cash Loans						
Letters of Guarantee	*12,464,904*	*14.57%*	*19,924,273*	*15.78%*	*22,947,461*	*15.80%*
Turkish Lira	6,856,759	8.02%	10,195,804	8.08%	12,753,135	8.78%
Foreign Currency	5,608,145	6.55%	9,728,469	7.70%	10,194,326	7.02%
Acceptance Credits	*211,538*	*0.25%*	*500,455*	*0.47%*	*1,298,250*	*0.89%*
Turkish Lira	3,922	0.00%	3,628	0.00%	19,739	0.01%
Foreign Currency	207,616	0.25%	496,827	0.69%	1,278,511	0.88%
Letters of Credit	*3,380,888*	*3.95%*	*5,761,529*	*4.56%*	*5,220,486*	*3.59%*
Turkish Lira	—	0.00%	—	0.00%	-	0.00%
Foreign Currency	3,380,888	3.95%	5,761,529	4.56%	5,220,486	3.59%
Other Guarantee	*372,685*	*0.44%*	*714,960*	*0.57%*	*631,010*	*0.43%*
Turkish Lira	32,811	0.04%	105,427	0.08%	135,233	0.09%
Foreign Currency	339,874	0.40%	609,533	0.49%	495,777	0.34%
Total Non-cash Loans	**16,430,015**	**19.21%**	**27,277,086**	**21.60%**	**30,097,207**	**20.71%**
Total Loans	**85,507,819**	**100.00%**	**126,305,208**	**100.00%**	**145,315,690**	**100.00%**

Lower inflation and reduced fluctuation in interest rates, together with a gradual decline in interest rates, led to greater confidence in the banking system and an increase in Turkish Lira-denominated loans in 2012. Retail loans, which are a growing portion of the Group's total loans, are essentially exclusively denominated in Turkish Lira; *however*, investment loans, which are longer term loans, are frequently denominated in foreign currencies.

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The Group provides financing for various purposes, although the majority of loans are retail loans and loans for working capital purposes. On a Bank-only basis, the average maturity for Turkish Lira-denominated retail loans was 46 months as of December 31, 2012; *however*, as demand for longer-term financing from existing customers and other high-quality corporate credits increases, the Bank's management expects that the maturity profile of the Group's loan portfolio will also increase. As of

December 31, 2012, the Group's loans with remaining maturities over one year but through five years and over five years composed 37.6% and 9.0%, respectively, of the Group's total loans and advances to customers.

The following tables set out certain information relating to the maturity profile of the Group's cash loan portfolio and guarantee portfolio (based upon scheduled repayments) as of the dates indicated, including accrued interest. Also included for the cash loans is the share thereof that are fixed rate loans and floating rate loans.

	1 year or less	**After 1 year through 5 years**	**After 5 years**	**Total**	**Fixed Rate Loans %**	**Floating Rate Loans %**
Cash Loans[(1)]			(*TL thousands*)			
December 31, 2010	37,677,869	25,147,680	6,583,575	69,409,124	54.58%	45.42%
December 31, 2011	52,468,264	36,955,939	10,008,572	99,432,775	53.41%	46.59%
December 31, 2012	62,021,472	43,756,824	10,455,127	116,233,423	53.79%	46.21%

(1) Includes factoring receivables.

	1 year or less	**After 1 year**	**Total**
Guarantees[(1)]		(*TL thousands*)	
December 31, 2010	11,849,974	4,580,041	16,430,015
December 31, 2011	23,288,926	3,988,160	27,277,086
December 31, 2012	25,745,403	4,351,804	30,097,207

(1) Includes acceptance credits and export commitments.

In line with its lending strategy, typically the Group does not lend frequently on terms with a maturity in excess of one year except for mortgages and project financings. Although the Group's loans have a relatively short maturity, many are rolled over at the end of their maturity.

C. Risk Elements

If the collectability of any loan or receivable is identified as limited or doubtful by the Group's management, then the Group provides general and specific provisions in accordance with the applicable law. Turkish regulations require Turkish banks to provide: (a) a general loan loss reserve calculated at 1% of their total standard cash loan portfolio (except for export loans and SME loans, for which the general loan loss reserve is calculated at 0% and 0.5%, respectively) *plus* 2% of their watch-list cash loan portfolio and comprising any loan that is considered to be a cash loan pursuant to the applicable banking law provisions and (b) a general reserve calculated at 0.2% of their total standard non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit, undertakings and endorsements) (except for export loans and SME loans, for which the general loan loss reserve is calculated at 0% and 0.1%, respectively) *plus* 0.4% of their watch-list non-cash loan portfolio. Furthermore, regulations also require the banks to provide general reserves of: (i) 5% of their standard cash loan portfolio and watch list cash loan portfolio whose loan conditions will be amended in order to extend the first payment schedule, (ii) 4% for standard and 8% for watch list consumer loans (other than auto loans and housing loans), all applicable to banks whose ratio of consumer loans to total loans is above 25% or those having a ratio of non-performing debts to the related total loans above 8% in relation to consumer loans (other than housing loans) and (iii) 10% for standard and watch list consumer loans (other than housing loans) whose loan conditions will be amended in order to extend the first payment schedule, all applicable to banks whose ratio of consumer loans to total loans is above 25% or those having a ratio of non-performing debts to the related total loans above 8% in relation to consumer loans (other than housing loans). The amount of the specific provision required for non-performing loans depends in part upon the type of collateral, but at a minimum 20% of the principal amount of a loan is required to be reserved for loans between three and six months overdue, 50% for loans between six and 12 months overdue and 100% after one year.

While the Bank's policy was historically to provide fully (at a rate of 100%) for its non-performing loan portfolio, in order to more efficiently use its capital after the July 2012 implementation of Basel II since the third quarter of 2012, the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulation. Such legal requirements impose minimum provisions depending upon the category of the non-performing loan, including special provisions in the amounts of at least 20%, 50% and 100%, respectively, being required to be set aside for loans and receivables in Groups III, IV and V (see "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus). As of December 31, 2012, 13.2%, 21.2% and 65.6% of the Bank's non-performing loan portfolio was categorized in Groups III, IV and V, respectively, and thus this change of policy has had a limited effect (particularly for Group V, which by regulation requires 100% provisions). The provision made during the year is charged against the profit for the year. Loans that cannot be recovered are written-off and charged the allowance for loan losses. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year.

Non-performing loans amounted to 1.84% of total loans of the Group as of December 31, 2012.

1. Nonaccrual, Past Due and Restructured Loans

The following table sets out the composition of the Group's total non-performing loans, past due but not impaired loans and loans with renegotiated terms as of the dates indicated:

	As of December 31		
	2010	**2011**	**2012**
		(TL thousands)	
Non-performing	2,463,597	2,109,419	2,154,482
Past due but not impaired	727,849	646,748	742,605
Loans with renegotiated terms	782,208	1,317,855	2,424,706
Total	**3,973,654**	**4,074,022**	**5,321,793**

A loan is categorized as non-performing when interest, fees or principal remain unpaid 90 days after the due date. A loan is categorized as past due but not impaired when interest, fees or principal remain unpaid 31 to 90 days after the due date. A non-performing loan can be restructured (*i.e.*, "loans with renegotiated terms") and transferred to the "Renewed and Restructured Loans Account" when it meets the following conditions: (a) 15% of the principal amount has been repaid and (b) interest, fees and principal are paid on a regular and timely basis for a 180 day period. If the borrower fails to comply with the terms of the restructuring agreement, then the loan can be restructured one additional time on condition that at least 20% of the remaining principal is collected every year.

2. Potential Problem Loans

As of December 31, 2012, there were no material amount of loans that are not included in the preceding table but for which information known to the Group about possible credit problems of borrowers caused the Bank's management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and that may result in disclosure of such loans in the above table for future years. See "*Summary of Loan Loss Experience*" below.

3. Loan Concentrations

As of December 31, 2012, the Group's loan portfolio did not contain any concentration of credits that exceeded 10% of its total loans that are not otherwise already disclosed as a category of loans pursuant to "*Types of Loans*" above. For the purposes of this paragraph, loan concentrations are considered to exist when there are credits to a multiple number of borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions.

From an individual borrower perspective, as of December 31, 2012, the gross cash loans to the Bank's ten largest group customers represented approximately 14.1% of its gross loan portfolio, compared to 16.6% as of December 31, 2011 and 18.0% as of December 31, 2010. In recent years, as a result of improvements in the Turkish economy, the percentage of smaller loans in the loan portfolio has been on an increasing trend.

D. Other Interest-Earning Assets

As of December 31, 2012, the Group's other interest-earning assets did not include any non-loan assets that would be included in III.C.1. ("*Nonaccrual, Past Due and Restructured Loans*") or III.C.2. ("*Potential Problem Loans*") above if such assets were loans.

IV. Summary of Loan Loss Experience

The Bank's credit monitoring department provides monthly reports to the Bank's board of directors detailing all aspects of its credit activity, including the number of new problem loans, the status of existing non-performing loans and collections. The Bank's senior management pays close attention to the timeliness of debt repayments and the classified loans and contingent liabilities. Prompt action is taken by the appropriate departments having responsibility for supervising and monitoring loan repayments if any principal or accrued interest repayment problems arise. Any overall deterioration in the quality of the Group's loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Bank's board of directors.

The determination of whether a repayment problem has arisen is based upon a number of objective and subjective criteria, including changes to the borrower's turnover in accounts held by the Group, changes to the borrower's economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfill the terms and conditions of its loan agreement and refusal of a borrower to co-operate in supplying current information.

The Group classifies its loan portfolio in accordance with current Turkish banking regulations in its BRSA Financial Statements. See "*Turkish Regulatory Environment*" in the Base Prospectus. In accordance with the applicable regulations, the Group makes specific allowances for possible loan losses. Minimum ratios of special provisions for loans with limited recovery, suspicious recovery and that are considered as loss are 20%, 50% and 100%, respectively. Collateral can also be taken into consideration in the calculation of special provisions. As noted above, a loan is categorized as non-performing when interest, fees or principal remain unpaid 90 days after the due date.

The entire principal amount of non-performing loans is added to provisions. The Group generally does not write-off non-performing loans, regardless of the amount of time they have been outstanding. When a loan is placed on non-performing status, interest income ceases to accrue. A non-performing loan is restored to accrual status when all arrears have been paid and it is considered likely that the customer will continue timely performance. A non-performing loan may also be restored to accrual status if it is determined that the repayment of principal and interest is reasonably assured on collection, such as in the case when all amounts due under a loan are fully collateralized by cash or marketable securities and actions have commenced to foreclose on the collateral; *however*, more typically the Group seeks to collect on non-performing loans and close its commitments.

As of December 31, 2012, the Turkish banking regulations required Turkish banks to provide a general reserve, excluding loans in arrears, calculated as 1.0% of the portfolio of loans of a standard nature *plus* 0.2% of the performing non-cash loans portfolio *plus* 2.0% of the portfolio of cash loans performing but under close monitoring *plus* 0.4% of the portfolio of non-cash loans under close monitoring.

The Group's non-performing loans amounted to TL 2,154,482 thousand, TL 2,109,419 thousand and TL 2,463,597 thousand as of December 31, 2012, 2011 and 2010, respectively. The Group's ratios of non-performing loans to total cash loans and to total cash and non-cash loans were 1.8% and 2.1%, 3.4% and 1.5%, and 1.6% and 2.8%, respectively, as of December 31, 2012, 2011 and 2010.

NPL Loan Portfolio by Loan Type

The following table sets forth the Bank's NPLs by loan type as of the dates indicated:

	2010	2011	2012
		(TL millions)	
Corporate[1]/SME[2]	1,381	1,271	1,307
Consumer	392	259	331
Credit Card	556	385	318
Overdraft[3]	35	24	21
Other/Miscellaneous Receivables	43	45	48
Total	**2,407**	**1,984**	**2,025**

(1) As defined by the Corporate Definition.
(2) As defined by the BRSA SME Definition.
(3) Retail portion only.

Analysis of the Allowance for Loan Losses

The following table sets forth an analysis of the movements in the allowance for specific loan losses for the Group for each year indicated below:

	2010	2011	2012
		(TL thousands)	
Balances at beginning of year	**2,817,823**	**2,463,597**	**2,109,419**
Additions	1,005,720	988,063	611,709
Collections	1,082,587	1,089,122	707,400
Write-offs	277,359	253,119	358,950
Balances at end of year	**2,463,597**	**2,109,419**	**1,654,778**

The following table sets out certain information relating to the Group's provisions for losses on cash and non-cash credit exposure, which form a majority of the general loan loss provisions, as of the dates indicated:

	As of December 31		
	2010	**2011**	**2012**
		(TL thousands)	
Cash	602,065	1,142,143	1,496,488
Non-cash commitments and contingencies	78,496	119,374	129,773
Total	**680,561**	**1,261,517**	**1,626,261**

The following table sets out certain information relating to the Group's non-performing loans and related provisions as of the dates indicated.

	As of December 31								
	2010			2011			2012		
	NPLs	**Total Provision**	**% Reserved**	**NPLs**	**Total Provision**	**% Reserved**	**NPLs**	**Total Provision**	**% Reserved**
Risk Category									
Doubtful	161,287	161,287	100.00%	213,790	213,790	100.00%	281,477	57,272	20.35%
Substantial	303,735	303,735	100.00%	209,079	209,079	100.00%	455,384	225,595	49.54%
Loss	1,998,575	1,998,575	100.00%	1,686,550	1,686,550	100.00%	1,417,621	1,371,911	96.78%
Total loans classified	**2,463,597**	**2,463,597**	**100.00%**	**2,109,419**	**2,109,419**	**100.00%**	**2,154,482**	**1,654,778**	**76.81%**
Gross loans	71,541,401			101,137,541			116,873,261		
Cash loans, net	69,077,804			99,028,122			115,218,483		

V. Deposits

Historically, customer deposits have been the Bank's principal source of funding, which has provided the Group with a competitive advantage in cost of funds and has contributed to the liquidity in the Group's balance sheet. The Bank's ability to obtain customer deposits is supported by its extensive branch network. With expansion of its deposit base and growth of the share of its demand deposits among the Bank's top priorities, Turkish Lira deposits from individuals constituted 63.8% of the Bank's total Turkish Lira deposits as of December 31, 2012. Other sources of funding include (inter alia) deposits from banks, obligations under repurchase agreements and, to a lesser extent, overnight bank deposits.

The Bank's deposits increased by 7.2% in 2012 and exceeded TL 105.4 billion as of December 31, 2012.

As of December 31, 2012, the Group's customers in Turkey held more deposits with the Bank in Turkish Lira than in foreign currency, with 40.0% of the Group's total deposits being foreign currency deposits (19.9% denominated in U.S. Dollars (49.6% of total foreign currency deposits) and 15.7% denominated in Euro (39.3% of total foreign currency deposits)). The Bank's management believes that the stable financial sector in Turkey, the government's willingness to keep the budget deficit under control and the inflow of portfolio investments into Turkey enhanced consumer confidence in Turkish Lira as a medium of investment in 2012.

The following table sets out the Group's deposits and other sources of funding as of the dates indicated:

	As of December 31					
	2010		2011		2012	
	(TL thousands, except percentages)					
Turkish Lira deposits	58,510,364	50.5%	59,387,345	41.3%	63,574,673	42.3%
Foreign currency deposits	29,966,255	25.8%	39,444,651	27.4%	42,436,187	28.2%
Interbank funds	12,969,586	11.2%	22,472,982	15.6%	17,030,831	11.3%
Funds borrowed(1)	14,556,766	12.5%	22,640,151	15.7%	27,442,726	18.2%
Total	**116,002,971**	**100.0%**	**143,945,129**	**100.0%**	**150,484,417**	**100.0%**

(1) Including marketable securities issued (consisting of TL and foreign-currency denominated bills and bonds issued by the Group) and subordinated loans.

In recent years, the foreign currency distribution of deposits has trended in favor of Turkish Lira as a result of lower inflation, reduced exchange rate fluctuation and the significant decline in interest rates. For further information on the Group's sources of funding, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Funding*."

The Group's deposits consist of demand and time deposits. Customer current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of accounts offered by the Group. The Group's deposits from customers mainly comprise foreign currency deposits, savings, commercial deposits and obligations under repurchase agreements.

As of December 31, 2012, the Group's total deposits were TL 106.0 billion, as compared to TL 98.8 billion as of December 31, 2011 and TL 88.5 billion as of December 31, 2010. The following table sets out a breakdown of the Group's deposits from customers and financial institutions, and funds deposited under repurchase agreements, by composition as of the dates indicated:

	As of December 31					
	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
	(TL thousands, except percentages)					
Savings deposit in Turkish Lira	**38,274,219**	**38.31%**	**40,663,642**	**34.08%**	**41,453,128**	**34.31%**
Demand	4,518,478		5,005,140		5,580,363	
Time	33,755,741		35,658,502		35,872,765	
Foreign currency deposits[1]	**28,773,370**	**28.80%**	**37,920,522**	**31.78%**	**40,207,059**	**33.27%**
Demand	5,323,348		8,775,773		9,859,471	
Time	23,450,022		29,144,749		30,347,588	
Funds deposited under repurchase agreements	**11,429,966**	**11.44%**	**20,497,152**	**17.18%**	**14,830,427**	**12.27%**
Commercial deposits	**10,986,940**	**11.00%**	**10,732,493**	**8.99%**	**12,784,577**	**10.58%**
Demand	4,008,693		4,521,788		4,967,759	
Time	6,978,247		6,210,705		7,816,818	
Bank deposits	**2,727,151**	**2.73%**	**2,377,727**	**1.99%**	**3,211,812**	**2.66%**
Demand	279,454		270,076		235,228	
Time	2,447,697		2,107,651		2,976,584	
Other	**7,714,939**	**7.72%**	**7,137,612**	**5.98%**	**8,354,284**	**6.91%**
Demand	558,920		481,654		703,817	
Time	7,156,019		6,655,958		7,650,467	
Total	**99,906,585**	**100.00%**	**119,329,148**	**100.00%**	**120,841,287**	**100.00%**

(1) Excluding bank deposits

As of December 31, 2012, the average effective interest rates of the Group applied to customer deposits were 2.26% for U.S. Dollars, 2.22% for Euro and 6.40% for Turkish Lira.

The following table sets out a breakdown of the Group's demand and time deposits from customers as of the dates indicated:

	As of December 31		
	2010	2011	2012
	(TL thousands)		
Demand deposits	14,688,893	19,054,431	21,346,638
Time deposits	85,217,692	100,274,717	99,494,649
Total	**99,906,585**	**119,329,148**	**120,841,287**

The following table shows the maturities of deposits as of the dates indicated:

	Up to 3 months[1]	3 months to 1 year	Over 1 year	Total
	(TL thousands)			
December 31, 2010	79,983,793	5,545,910	2,946,916	88,476,619
December 31, 2011	85,169,285	8,700,220	4,962,491	98,831,996
December 31, 2012	95,712,452	4,405,111	5,893,297	106,010,860

(1) Includes demand deposits.

VI. Return on Equity and Assets

The following table sets out certain of the Group's selected financial ratios and other data for the periods indicated:

	2010	2011	2012
	(*TL thousands, except percentages*)		
Net income	3,231,694	2,389,368	3,714,734
Average total assets(1)	139,119,978	168,868,820	191,005,220
Average shareholders' equity(1) (2)	14,570,525	17,147,975	19,551,251
Average shareholders' equity as a percentage of quarterly average total assets	10.47%	10.15%	10.24%
Return on average total assets(3)	2.32%	1.41%	1.94%
Return on average shareholders' equity excluding minority interest(1)(4)	20.17%	13.25%	17.45%

(1) Calculated on quarterly averages.
(2) Excluding minority interest.
(3) Net income for the period as a percentage of average total assets.
(4) Net income for the period as a percentage of average shareholders' equity.

VII. Short-Term Borrowings

For information on the tenor of the Group's outstanding debt, see "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Funding*."

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes shall consist of the terms and conditions set out in the Base Prospectus (the "Base Conditions") as amended or supplemented by the issue-specific terms set out below in this section. References in the Base Conditions to Final Terms shall be deemed to refer to the issue-specific terms of the Notes substantially in the form set out below.

11 October 2013

TÜRKİYE İŞ BANKASI A.Ş.

Issue of U.S.$500,000,000 5.50% Notes due 2019 (the "*Notes*")

under the U.S.$1,750,000,000

Global Medium Term Note Program

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 19 July 2013 (as supplemented on 16 August 2013) and the Prospectus dated 11 October 2013, which together in the manner described in such Prospectus constitute a prospectus (the "*Prospectus*") for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended (including the amendments made by Directive 2010/73/EU). This document constitutes the issue-specific terms of the Notes and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these issue-specific terms and the Prospectus. The Prospectus has been published on the Issuer's website (http://www.isbank.com.tr/English/content/EN/Offering_Circular.aspx).

1.	Issuer:		Türkiye İş Bankası A.Ş.
2.	(a)	Series Number:	2013-6
	(b)	Tranche Number:	1
	(c)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3.	Specified Currency or Currencies:		U.S. Dollars or U.S.$
4.	Aggregate Nominal Amount:		
	(a)	Series:	U.S.$500,000,000
	(b)	Tranche:	U.S.$500,000,000
5.	Issue Price:		99.467 per cent. of the Aggregate Nominal Amount
6.	(a)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(b)	Calculation Amount:	U.S.$1,000

7.	(a)	Issue Date:	21 October 2013
	(b)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		21 April 2019
9.	Interest Basis:		5.50 per cent. Fixed Rate (*see paragraph 14 below*)
10.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11.	Change of Interest Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable
13.	(a)	Status of the Notes:	Senior
	(b)	Date Board approval for issuance of Notes obtained:	Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		Applicable
	(a)	Rate(s) of Interest:	5.50 per cent. *per annum* payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	21 April and 21 October in each year up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s):	Not Applicable
	(d)	Broken Amount(s):	Not Applicable
	(e)	Day Count Fraction:	30/360
	(f)	Determination Date(s):	Not Applicable
15.	Floating Rate Note Provisions		Not Applicable
16.	Zero Coupon Note Provisions		Not Applicable
17.	Notice periods for Condition 8.2:		Minimum period: 30 days Maximum period: 60 days
18.	Issuer Call:		Not Applicable
19.	Investor Put:		Not Applicable
20.	Final Redemption Amount:		U.S.$1,000 per Calculation Amount

21.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	U.S.$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:		
	(a)	Form:	Registered Notes: Regulation S Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg exchangeable for Definitive Registered Notes upon an Exchange Event Rule 144A Global Note registered in the name of a nominee for DTC exchangeable for Definitive Registered Notes upon an Exchange Event
	(b)	New Global Note:	No
23.	Additional Financial Centre(s):		Not Applicable
24.	Talons for future Coupons to be attached to Definitive Notes:		No

Signed on behalf of **TÜRKİYE İŞ BANKASI A.Ş**.

By:.. By:..

Duly authorised *Duly authorised*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and Admission to trading:	Application has been made by the Issuer to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market of the Irish Stock Exchange with effect from 21 October 2013; *however*, no assurance can be given that such application will be accepted.
(b)	Estimate of total expenses related to admission to trading:	€2,690

2. RATINGS

Ratings:	The Notes to be issued are expected to be rated: "BBB" by Fitch Ratings Ltd. ("*Fitch*") and "Baa2" by Moody's Investors Service Limited ("*Moody's*"). Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Initial Purchasers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Initial Purchasers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. YIELD

Indication of yield:	5.614 per cent. *per annum* The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. OPERATIONAL INFORMATION

(a)	ISIN Code:	US900151AE10 for Rule 144A Global Notes, XS0982644774 for Regulation S Global Note
(b)	Common Code:	098278257 for Rule 144A Global Notes, 098264477 for Regulation S Global Note
(c)	CUSIP:	900151 AE1 for Rule 144A Global Notes
(d)	Any clearing system(s) other	Not Applicable

		than DTC, Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s):	
	(e)	Delivery:	Delivery against payment
	(f)	Names and addresses of additional Paying Agent(s) (if any):	Not Applicable
	(g)	Deemed delivery of clearing system notices for the purposes of Condition 15:	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the business day after the day on which it was given to DTC, Euroclear and Clearstream, Luxembourg.
6.	**DISTRIBUTION**		
	(a)	Method of distribution:	Syndicated
	(b)	If syndicated, names of Managers:	BNP Paribas Commerzbank Aktiengesellschaft J.P. Morgan Securities plc Morgan Stanley & Co. International plc Standard Chartered Bank
	(c)	Date of Subscription Agreement:	11 October 2013
	(d)	Stabilising Manager(s) (if any):	J.P. Morgan Securities plc
	(e)	If non-syndicated, name of relevant Dealer:	Not Applicable
	(f)	U.S. Selling Restrictions:	Reg. S Compliance Category 2 and Rule 144A

U.S. TAXATION

This is a general summary of certain US federal considerations in connection with an investment in the Notes. This summary does not address all aspects of US federal law and does not discuss any state or local tax considerations. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. **Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction.**

Certain US Federal Income Tax Consequences

<u>**Notice pursuant to IRS Circular 230**</u>**: The discussion of US tax matters set forth in this Prospectus was written in connection with the promotion or marketing of this Offering and was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties under US federal, state or local tax law. Each taxpayer should seek advice based upon its particular circumstances from an independent tax adviser.**

The following summary describes certain US federal income tax consequences of the acquisition, ownership and disposition of a Note by a US Holder (as defined below) that acquires the Note in this Offering from the Initial Purchasers at a price equal to the issue price of the Notes and holds it as a capital asset. This summary does not address all aspects of US federal income taxation that may be applicable to particular US Holders subject to special US federal income tax rules, including, among others, tax-exempt organizations, financial institutions, dealers and traders in securities or currencies, US Holders that will hold a Note as part of a "straddle," hedging transaction, "conversion transaction" or other integrated transaction for US federal income tax purposes, US Holders that enter into "constructive sale" transactions with respect to the Notes, US Holders liable for alternative minimum tax and certain US expatriates. In addition this summary does not address consequences to US Holders of the acquisition, ownership and disposition of a Note under any other US federal tax laws (*e.g.*, estate or gift tax laws) or under the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

As used herein, the term "*US Holder*" means a beneficial owner of a Note that is for US federal income tax purposes: (a) an individual who is a citizen or resident of the US, (b) a corporation created or organized in or under the laws of the US, any state thereof or the District of Columbia, (c) an estate the income of which is subject to US federal income taxation regardless of its source or (d) a trust that is subject to US tax on its worldwide income regardless of its source.

If an entity or arrangement treated as a partnership for US federal income tax purposes holds a Note, the US federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Therefore, a partnership holding a Note and its partners should consult their own tax advisers regarding the US federal income tax consequences of the acquisition, ownership and disposition of a Note.

The discussion below is based upon the Code, US Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as in effect as of the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in US federal income tax consequences different from those discussed below.

The summary of the US federal income tax consequences set out below is for general information only. Prospective purchasers should consult their tax advisers as to the particular tax consequences to them of owning the Notes, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

Payments of Interest

Payments of interest on the Notes, including additional amounts, if any, generally will be taxable to a US Holder as ordinary income at the time that such payments are received or accrued, in accordance with such US Holder's usual method of accounting for US federal income tax purposes. Interest paid on a Note generally will constitute foreign source income for US federal income tax purposes and generally will be considered "passive" income, which is treated separately from other types of income in computing the foreign tax credit that may be allowable to US Holders under US federal income tax laws. Subject to applicable restrictions and limitations, a US Holder may be entitled to claim a US foreign tax credit in respect of any Turkish withholding taxes imposed on interest received on the Notes. A US Holder who does not elect to claim a credit for foreign tax may instead claim a deduction in respect of the tax provided the US Holder elects to deduct rather than claim a credit for all foreign taxes for such taxable year. US Holders that are eligible for benefits under the double tax treaty between the United States and Turkey (the "*Double Tax Treaty*") or are otherwise entitled to a refund for the taxes withheld, under Turkish tax law generally will not be entitled to a foreign tax credit or deduction for the amount of any Turkish taxes withheld in excess of the maximum rate under the Double Tax Treaty or for those taxes that have been otherwise refunded to them under Turkish tax law. The rules relating to foreign tax credits or deducting foreign taxes are extremely complex, and US Holders are urged to consult their own tax advisers regarding the availability and advisability of claiming a foreign tax credit or a deduction with respect to any Turkish taxes withheld from payment.

Sale, Exchange and Redemption of Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note, a US Holder generally will recognize taxable gain or loss equal to the difference between the amount realized (*i.e.*, the amount of cash and the fair market value of any property received on the disposition (except to the extent the cash or property received is attributable to accrued and unpaid interest not previously included in income, which is treated like a payment of interest)) and the US Holder's tax basis in the Note. A US Holder's tax basis in a Note generally will equal the amount paid for the Note. Gain or loss recognized by a US Holder on the sale, exchange or other disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the US Holder for more than one year. Gain or loss realized by a US Holder on the sale or retirement of a Note generally will be US source. The deductibility of capital losses is subject to significant limitations. US Holders should consult their own advisers about the availability of US foreign tax credits or deductions with respect to any Turkish taxes imposed upon a disposition of Notes.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS (unless the US Holder establishes, if requested to do so, that it is an exempt recipient) in connection with payments on the Notes, and the proceeds from the sale, exchange or other disposition of Notes. If information reports are required to be made, a US Holder may be subject to US backup withholding if it fails to provide its taxpayer identification number, or to establish that it is exempt from backup withholding. The amount of any backup withholding imposed on a payment will be allowed as a credit against any US federal income tax liability of a US Holder and may entitle the US Holder to a refund, provided the required information is timely furnished to the IRS.

US Holders should consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their acquisition, ownership or disposition of Notes.

Recently Enacted Legislation

Certain US Holders who are individuals, estates or non-exempt trusts are required to pay up to an additional 3.8% tax on, among other things, interest on and capital gains from the sale, retirement or other taxable disposition of Notes. US Holders should consult their tax advisers regarding the effect, if any, of this new legislation on their investment in the Notes.

The Foreign Account Tax Compliance Act ("*FATCA*") generally imposes a withholding tax of 30% on certain payments to and from certain non-U.S. financial institutions (including entities such as the Bank).

Among other requirements, a "foreign financial institution" as defined under the Code (an "*FFI*"), such as the Bank, that opts in to comply with FATCA will be required to enter into an agreement with the IRS (an "*FFI Agreement*"). Such an agreement will require the provision of certain information regarding the FFI's "U.S. account holders" (which could include holders of the Notes) to the IRS. The Bank may opt into the FATCA information reporting regime, and it may be required to collect information regarding the identities of its noteholders and deliver such information to the IRS.

In such case, holders of the Notes may be required to provide the Bank with certain information, including, but not limited to: (a) information for the Bank to determine whether the beneficial owner of a note is a United States person as defined in Section 7701(a)(30) of the Code or a United States owned foreign entity as described in Section 1471(d)(i) of the Code and any additional information that the Bank or its agent requests in connection with FATCA and (b)(i) if the beneficial owner of a Note is a United States person, such United States person's name, address and U.S. taxpayer identification number, or (ii) if the beneficial owner of the note is a United States owned foreign entity, the name, address and taxpayer identification number of each of its substantial United States owners as defined in Section 1473(2) of the Code and any other information requested by the Bank or its agent upon request and (c) updated information promptly upon learning that any such information previously provided is obsolete or incorrect.

The Bank may be required to withhold up to 30% of amounts payable under the Notes to holders of the Notes that do not provide the Bank with information required to comply with FATCA or to FFIs that either do not enter into an FFI Agreement with the IRS under FATCA ("*Nonparticipating FFIs*") or are not otherwise exempt from or in deemed compliance with FATCA, if such amounts constitute foreign passthru payments ("*Foreign Passthru Payments*") under FATCA. Such withholding is required only if the Notes are significantly modified after the date (the "*Grandfathering Date*") that is six months after the date of filing of final regulations defining Foreign Passthru Payments. Further, such withholding is generally not required on payments made before the later of January 1, 2017 or the date of publication of final regulations defining Foreign Passthru Payments.

If FATCA were to require that an amount in respect of U.S. withholding tax were to be deducted or withheld from any payment on or with respect to the Notes, then neither the Bank nor any paying agent or other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. Holders of the Notes should consult their tax advisers regarding the effect, if any, of FATCA on their investment in the Notes.

PLAN OF DISTRIBUTION

The Bank intends to offer the Notes through the Initial Purchasers named below and their broker-dealer affiliates, as applicable. Subject to the terms and conditions stated in a subscription agreement in respect of the Notes expected to be entered into on October 11, 2013 among the Initial Purchasers and the Bank (the "*Subscription Agreement*"), each of the Initial Purchasers has severally (and not jointly nor jointly and severally) agreed to purchase, and the Bank has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser's name below at the issue price of 99.467% of the principal amount of the Notes.

Initial Purchasers	*Principal Amount of Notes*
BNP Paribas	U.S.$100,000,000
Commerzbank Aktiengesellschaft	U.S.$100,000,000
J.P. Morgan Securities plc	U.S.$100,000,000
Morgan Stanley & Co. International plc	U.S.$100,000,000
Standard Chartered Bank	U.S.$100,000,000
Total	**U.S.$500,000,000**

The Subscription Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

The Bank has been informed that the Initial Purchasers propose to resell beneficial interests in the Notes at the issue price set forth on the cover page of this Prospectus to persons reasonably believed to be QIBs in reliance upon Rule 144A, and to non-US persons in offshore transactions in reliance upon Regulation S, see "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus. The prices at which beneficial interests in the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the United States will be made by those Initial Purchasers or their affiliates that are registered broker-dealers under the U.S. Securities Exchange Act of 1934, as amended (the "*Exchange Act*") or in accordance with Rule 15a-6 thereunder.

The Notes have not been registered under the Securities Act or any U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act, see "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus. Accordingly, until 40 days after the Issue Date (the "*Distribution Compliance Period*"), an offer or sale of Notes (or beneficial interests therein) within the United States or to, or for the account or benefit of, any US person by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Each Initial Purchaser has agreed that it will send to each dealer to which it sells the Regulation S Global Notes (or beneficial interests therein) during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes (or beneficial interests therein) within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

> "The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons: (a) as part of their distribution at any time or

(b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, except, in either case, in accordance with Rule 144A under the Securities Act or in an offshore transaction. Terms used above have the meanings given to them by Regulation S."

While application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market, the Notes constitute a new class of securities of the Bank with a limited trading market. The Bank cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market will not be lower than the initial offering price or that an active trading market for the Notes will develop. The Initial Purchasers have advised the Bank that they currently intend to make a market in the Notes; *however*, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. No assurance can be given that the application to the Irish Stock Exchange to admit the Notes to listing on the Official List and trading on the Main Securities Market will be accepted.

In connection with the offering, one or more Initial Purchaser(s) may purchase and sell Notes (or beneficial interests therein) in the secondary market. These transactions may include overallotment, syndicate covering transactions and stabilizing transactions. Overallotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be purchased by the Initial Purchasers in their initial offering, which creates a short position for the Initial Purchasers. Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They may also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, then they may discontinue them at any time.

The Bank expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date. Under Rule 15c6-l of the Exchange Act, trades in the secondary market through a broker or dealer in the United States generally are required to settle in three New York City business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes through a broker or dealer in the United States on the date of this Prospectus or the next New York City business days will be required, by virtue of the fact that the Notes initially will settle in T+6, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in the Notes through a broker or dealer in the United States on the date of this Prospectus or the next New York City business days should consult their own adviser.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates may have performed investment banking and advisory services for the Bank and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Bank and its affiliates in the ordinary course of their business. Certain of the Initial Purchasers and/or their respective affiliates have acted and expect in the future to act as a lender to the Bank and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Bank and/or other members of the Group. In addition, certain of the Initial Purchasers and/or their respective affiliates hedge their credit exposure to the Bank and/or other members of the Group pursuant to their customary risk management policies. These hedging activities could have an adverse affect on the future trading prices of the Notes offered hereby.

The Initial Purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

The Bank will agree in the Subscription Agreement, in connection with the issue and offering of the Notes, to indemnify each Initial Purchaser against certain liabilities, or to contribute to payments that the Initial Purchasers may be required to make because of those liabilities.

LEGAL MATTERS

Certain matters relating to the issuance of the Notes will be passed upon for the Bank by Mayer Brown LLP (or affiliates thereof) as to matters of United States law and by YazıcıLegal as to matters of Turkish law (other than with respect to tax-related matters). Certain matters as to English and United States law will be passed upon for the Initial Purchasers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Initial Purchasers by Paksoy Ortak Avukat Bürosu (which will also pass upon matters of Turkish tax law).

OTHER GENERAL INFORMATION

Authorization

The establishment of the Program and the issue of notes thereunder have been duly authorized by resolutions of the Board of Directors of the Issuer dated November 27, 2012 and June 24, 2013.

Listing of Notes

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to listing on the Official List and to trading on the Main Securities Market will be granted on or before the Issue Date, subject only to the issue of the Notes.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Bank in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Documents Available

For as long as any of the Notes are outstanding, copies of the following documents will (as applicable, when published) be available in physical form for inspection from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in London:

(a) the articles of association (with a certified English translation thereof) of the Issuer;

(b) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group for each of the years ended December 31, 2012, 2011 and 2010;

(c) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank for each of the years ended December 31, 2012, 2011 and 2010;

(d) the independent auditors' audit reports and audited consolidated IFRS Financial Statements of the Group for each of the years ended December 31, 2012, 2011 and 2010;

(e) the independent auditors' review report and unaudited interim consolidated BRSA Financial Statements of the Group for each of the six month periods ended June 30, 2013 and 2012;

(f) the independent auditors' review report and unaudited interim unconsolidated BRSA Financial Statements of the Bank for each of the six month periods ended June 30, 2013 and 2012;

(g) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith; the Issuer currently prepares audited consolidated and unconsolidated financial statements in accordance with BRSA Principles on an annual basis, audited consolidated financial statements in accordance with IFRS on an annual basis, unaudited consolidated and unconsolidated interim financial statements in accordance with BRSA Principles on a quarterly basis and unaudited consolidated interim financial statements in accordance with IFRS on a semi-annual basis;

(h) the Agency Agreement, the Deed of Covenant and the Deed Poll and the forms of the Global Notes and the Notes in definitive form; and

(i) a copy of this Prospectus and the Base Prospectus (including the supplements thereto).

With respect to each of the BRSA Financial Statements and IFRS Financial Statements noted in clauses (b) through (f) above, please see "*Auditors*" below.

In addition, copies of this Prospectus, each document incorporated by reference and the financial statements listed above will be available on the Issuer's website at:

(i) http://www.isbank.com.tr/English/content/EN/Offering_Global_Medium_Term.aspx (with respect to the Base Prospectus);

(ii) http://www.isbank.com.tr/English/content/EN/First_Supplement.aspx (with respect to the August 16, 2013 supplement to the Base Prospectus);

(iii) http://www.isbank.com.tr/English/content/EN/Offering_Circular.aspx (with respect to this Prospectus other than the documents incorporated by reference herein);

(iv) http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_consolidated-407-401.aspx (with respect to the consolidated BRSA Financial Statements);

(v) http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_bank-only-406-401.aspx (with respect to the unconsolidated BRSA Financial Statements); and

(vi) http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/IFRS_fully_consolidated-405-401.aspx (with respect to the consolidated IFRS Financial Statements).

Such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus.

Clearing Systems

The Rule 144A Global Note(s) have been accepted into DTC's book-entry settlement system and the Regulation S Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg (CUSIP: 900151 AE1, ISIN: US900151AE10 and Common Code: 098278257, with respect to the Rule 144A Global Note(s) and ISIN: XS0982644774 and Common Code: 098264477, with respect to the Regulation S Notes).

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Significant or Material Change

There has been no significant change in the financial or trading position of either the Bank or the Group since June 30, 2013 and no material adverse change in the financial position or prospects of either the Bank or the Group since December 31, 2012.

Litigation

Neither the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Bank or the Group.

Auditors

The BRSA Financial Statements as of and for the years ended December 31, 2010, 2011 and 2012 have been audited in accordance with the Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks and International Standards on Auditing by KPMG, which is located at Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No 3, 34805 Beykoz, İstanbul, Turkey. The IFRS Financial Statements as of and for the years ended December 31, 2010, 2011 and 2012 have been audited by KPMG in accordance with International Standards on Auditing. KPMG is an independent auditor in Turkey and authorized by the BRSA to conduct independent audits of banks in Turkey. KPMG's audit reports on the BRSA Financial Statements and the IFRS Financial Statements contain a qualification. See "*Risk Factors – Risks Relating to the Group and its Business – Audit Qualification*" in the Base Prospectus for further information.

The BRSA Interim Financial Statements as of and for the six month period ended June 30, 2013 have been reviewed by KPMG in accordance with the Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks and International Standards on Auditing. With respect to the unaudited BRSA Interim Financial Statements as of and for the six month period ended June 30, 2013, KPMG has reported that it applied limited procedures in accordance with professional standards for a review of such information; *however*, its report states that it did not audit and does not express an opinion on such interim financial information. Accordingly, the degree of reliance on its report on such information should be restricted in light of the limited nature of the review procedures applied. KPMG's review report on the BRSA Interim Financial Statements contains a qualification. See "*Risk Factors – Risks Relating to the Group and its Business – Audit Qualification*" in the Base Prospectus for further information.

THE ISSUER

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Morgan Stanley & Co. International plc
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Standard Chartered Bank
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United Kingdom

FISCAL AGENT AND PRINCIPAL PAYING AGENT

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AUDITORS TO THE ISSUER

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