IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER: (a) PURCHASING IN OFFSHORE TRANSACTIONS AND NOT US PERSONS (EACH AS DEFINED IN REGULATION S) OR (b) QIBS (AS DEFINED BELOW)

IMPORTANT: You must read the following before continuing. The following applies to the attached Offering Circular (the "*Offering Circular*"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from (or on behalf of) the issuer as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OF AMERICA (WITH ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA, COLLECTIVELY THE "*UNITED STATES*") OR ANY OTHER JURISDICTION TO THE EXTENT THAT IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER UNITED STATES JURISDICTION AND SUCH SECURITIES 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 ("*REGULATION S*")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, THEN YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities described therein, prospective investors must be either: (a) purchasing in offshore transactions and not US persons (each as defined in Regulation S) or (b) qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("*QIBs*"). The Offering Circular is being sent at your request and by accepting this electronic distribution and accessing the Offering Circular, you will be deemed to have represented to the issuer that: (i) you and any customers you represent in connection herewith are either: (A) purchasing in offshore transactions and not US persons and, if applicable, that the electronic mail address to which this electronic transmission has been delivered is not located in the United States or (B) QIBs, (ii) you consent to delivery of the Offering Circular by electronic transmission and (iii) you have understood and agree to the terms set out herein.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place to the extent that offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and an underwriter or any affiliate of an underwriter is a licensed broker or dealer in that jurisdiction, then the offering will be deemed to be made by such underwriter or such affiliate on behalf of the issuer in such jurisdiction.

The Offering Circular has been provided to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc and J.P. Morgan Securities plc, as initial purchasers of the New Notes (the "*Initial Purchasers*"), the issuer or any person who controls any of them, nor any director, officer, employee, counsel nor agent of any of them or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Offering Circular is being distributed only to and directed only at: (a) persons who are outside the United Kingdom, (b) persons in the United Kingdom who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (c) those persons in the United Kingdom to whom it may otherwise lawfully be distributed (all such persons together being referred to as "*relevant persons*"). In the United Kingdom, the Offering Circular is directed only at relevant persons and must not be acted on or relied upon by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which the Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

This Offering Circular is being distributed only to and directed at real persons and legal entities domiciled outside of Turkey.

TÜRKİYE İŞ BANKASI A.Ş.

US$250,000,000 3.750% Notes due 2018

Issue price: 100.983% plus 16 days' deemed accrued interest
(in respect of the period from (and including)
April 10, 2013 to (but excluding) April 26, 2013)

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 "*Issuer*"), is issuing US$250,000,000 3.750% Notes due 2018 (the "*New Notes*"). The New Notes will be consolidated and form a single series with the US$500,000,000 3.750% Notes due 2018 (the "*Original Notes*" and, together with the New Notes, the "*Notes*") issued by the Bank on April 10, 2013 (the "*Original Issue Date*") on the New Issue Date.

The New Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "*Securities Act*"), or the securities or "blue sky" laws of any state of the United States of America ("*United States*" or "*US*"), the United Kingdom or any other jurisdiction, and are being offered: (a) for sale (the "*US* Offering") to qualified institutional buyers only (each a "*QIB*") as defined in, and in reliance upon, Rule 144A under the Securities Act ("*Rule 144A*") and (b) for sale to non-US persons in offshore transactions (the "*International Offering*" and, with the US Offering, the "*Offering*") 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 New Notes, see "Plan of Distribution," "Selling Restrictions" and "Transfer Restrictions" herein.

INVESTING IN THE **NEW NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER "RISK FACTORS" BEGINNING ON PAGE 17 OF THIS OFFERING CIRCULAR.**

Interest on the Notes will be paid in arrear on the 10th day of each April and October; *provided* that if any such date is not a Business Day (as defined in Condition 7), then such payment will be made on the next Business Day. Principal of the Notes is scheduled to be paid on October 10, 2018 (the "*Maturity Date*"), but may be paid earlier under certain circumstances as further described herein. The New Notes initially will be sold to investors at a price equal to 100.983% of the principal amount thereof *plus* 16 days' deemed accrued interest (in respect of the period from (and including) the Original Issue Date to (but excluding) the New Issue Date). For a more detailed description of the Notes, see "Conditions of the Notes."

This Offering Circular (this "*Offering Circular*") has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC ("*Prospectus Directive*") as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant member state of the European Economic Area). The Central Bank of Ireland only approves this Offering Circular as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the New Notes to be admitted to the Official List and trading on its regulated market (the "*Main Securities Market*"). Such approval relates only to the New 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. References in this Offering Circular to the New Notes being "listed" (and all related references) shall mean that the New Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

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 New Notes cannot be sold before the necessary approvals and the approved issuance certificate are obtained from the CMB. The CMB approval relating to the issuance based upon which the Offering will be conducted was obtained on March 19, 2013, and the issuance certificate bearing the approval of the CMB relating to the New Notes is expected to be obtained from the CMB on or about April 26, 2013.

Under current Turkish tax regulations, withholding tax at the rate of 0% applies to interest on the Notes. See "Taxation-Certain Turkish Tax Considerations."

The Original Notes were rated "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 ("*Standard & Poor's*"), the "*Rating Agencies*"), and it is expected that the rating of the Notes will be the same immediately after issuance of the New Notes. The Rating Agencies have also issued ratings in respect of the Bank, as set out on page 121 of this Offering Circular. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. As of the date of this Offering Circular, each of the Rating Agencies is established in the European Union and is registered under Regulation (EU) No 1060/2009, as amended.

The New Notes are being offered under Rule 144A and Regulation S by each of Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc and J.P. Morgan Securities plc (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 (as defined below) 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 April 26, 2013 (*i.e.*, the fourth Business Day following the date of pricing of the New Notes (such date being referred to herein as the "*New Issue Date*" and such settlement cycle being herein referred to as "*T+4*")), and (b) delivery of the Regulation S Notes (as defined below) will be made in book-entry form only through the facilities of Euroclear Bank SA/NV ("*Euroclear*") and/or Clearstream Banking, *société anonyme* ("*Clearstream, Luxembourg*"), against payment therefor in immediately available funds on the New Issue Date.

Joint Lead *Managers*

Barclays **Citigroup** **Deutsche Bank** **HSBC** **J.P. Morgan**

The date of this Offering Circular is April 24, 2013.

This Offering Circular constitutes a prospectus for: (a) the purpose of Article 5 of the Prospectus Directive and (b) the purpose of giving information with regard to the Bank and the New Notes that, according to the particular nature of the Bank and the New Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Bank and of the rights attaching to the New Notes. This Offering Circular is to be read in conjunction with the financial statements that form part of and are included herein (or are incorporated by reference herein).

The Bank, having made all reasonable enquiries, confirms that: (a) this Offering Circular contains all information that in its view is material in the context of the issuance and offering of the New Notes (or beneficial interests therein), (b) the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, (c) any opinions, predictions or intentions expressed in this Offering Circular on the part of the Bank are honestly held or made by the Bank and are not misleading in any material respects, and there are no other facts the omission of which would make this Offering Circular 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 Bank to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Bank or the Initial Purchasers to subscribe for or purchase, any New Notes (or beneficial interests therein). This Offering Circular is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase New Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Initial Purchasers. The New Notes (and beneficial interests therein) may not be offered or sold, directly or indirectly, and this Offering Circular may not be circulated, in any jurisdiction except in accordance with legal requirements applicable to such jurisdiction.

The distribution of this Offering Circular and the offer or sale of the New Notes (or beneficial interests therein) in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come are required by the Bank and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the New Notes (or beneficial interests therein) and on the distribution of this Offering Circular and other offering material relating to the New Notes, see “Selling Restrictions” and “Transfer Restrictions.”

No person has been authorized in connection with the offering of the New Notes (or beneficial interests therein) to give any information or make any representation regarding the Bank, the Initial Purchasers or the New Notes other than as contained in this Offering Circular. Any such representation or information must not be relied upon as having been authorized by the Bank or the Initial Purchasers. The delivery of this Offering Circular at any time does not imply that there has been no change in the Bank’s affairs or that the information contained in it is correct as of any time subsequent to its date. This Offering Circular may only be used for the purpose for which it has been published.

No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of the information set forth in this Offering Circular, and nothing contained in this Offering Circular is, or should be relied upon as, a promise or representation, whether as to the past or the future, by the Initial Purchasers. None of the Initial Purchasers assumes any responsibility for the accuracy or completeness of the information set forth in this Offering Circular. Each person contemplating making an investment in the New Notes must make its own investigation and analysis of the creditworthiness of the Bank and its own determination of the suitability of any such investment in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. The New Notes may not be suitable investments for all investors. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the New Notes, the merits and risks of investing in the New Notes and the information contained in this Offering Circular or any applicable supplement,

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular circumstances, an investment in the New Notes and the impact such investment will have on its overall investment portfolio,

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the New Notes, including where the currency for principal and interest payments is different from the potential investor's currency,
- understand thoroughly the terms of the New Notes and be familiar with the behavior of financial markets in which they participate, and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

None of the Bank, the Initial Purchasers or any of their respective counsel or other representatives is making any representation to any offeree or purchaser of the New Notes (or beneficial interests therein) regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of an investment in the New Notes.

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 New Note (or a beneficial interest therein), agrees that the New Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions from the registration requirements thereof described under "Transfer Restrictions." Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer, of the New 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.

In this Offering Circular "*Bank*" means Türkiye İş Bankası A.Ş. on a stand-alone basis and "*Group*" means the Bank and its consolidated subsidiaries (and, with respect to accounting information, other consolidated entities).

The offering of the New Notes has been authorized and (prior to the New Issue Date) approved by the CMB only for the purpose of the sale of the New Notes outside of Turkey in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "*Decree 32*"), the Banking Law No. 5411 and its related legislation (the "*Banking Regulations*"), the Capital Markets Law and the Communiqué Serial II, No. 22 on the Principles on the Registration and Sale of Debt Instruments (the "*Communiqué*"). The New Notes (or beneficial interests therein) must be offered or sold to real persons and legal entities domiciled outside of Turkey in accordance with the Banking Regulation and Supervision Agency (the "*BRSA*") decision dated May 6, 2010 No. 3665 (as notified by the BRSA in its letter to the Banks Association of Turkey dated May 10, 2010 and numbered B.02.1.BDK.0.11.00.00.31.2 9392) and the CMB has authorized the offering of the New Notes; *provided* that, following the primary sale of the New Notes, no transaction that may be deemed a sale of the New Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the New Notes (or beneficial interests therein) in secondary markets by residents of Turkey; *provided* that they purchase or sell such New Notes (or beneficial interests) in the financial markets outside of Turkey, such sale and purchase is made through banks and/or licensed brokerage institutions authorized pursuant to CMB regulations and the purchase price is transferred through banks. The issuance certificate bearing the approval of the CMB relating to the New Notes is expected to be obtained on or before April 26, 2013.

New Notes offered and sold to QIBs in reliance upon Rule 144A will on the New Issue Date be consolidated with the Original Notes offered and sold on the same basis (together, the "*Rule 144A Notes*"), all of which Notes will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons (the "*Rule 144A Certificates*"). New Notes offered and sold outside the United States to non-US persons pursuant to Regulation S will on the New Issue Date be consolidated with the Original Notes offered and sold on the same basis (together, the "*Regulation S Notes*"), all of which Notes will be represented by beneficial interests in a permanent global certificate–in fully registered form without interest coupons (the "*Regulation S Certificate*" and, with the Rule 144A Certificates, together, the "*Global Certificates*").

The Regulation S Certificate will be deposited on or about the New Issue Date with a common depositary (the "*Common Depositary*") for Euroclear and Clearstream, Luxembourg, and will be registered in the name of the Common *Depositary* (or a nominee thereof). Except as described in this Offering Circular, beneficial interests in the Regulation S Certificate 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 Certificates will be deposited on or about the New Issue Date with The Bank of New York Mellon, New York Branch, in its capacity as custodian for, and will be registered in the name of Cede & Co. as nominee of, DTC. Except as described in this Offering Circular, beneficial interests in the Rule 144A Certificates will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Except as described in this Offering Circular, owners of beneficial interests in the Global Certificates will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes and the agency agreement relating to the Notes dated the Original Issue Date as amended and supplemented by a First Supplemental Agency Agreement to be dated the New Issue Date (the "*Agency Agreement*").

An application has been made to the Irish Stock Exchange to admit the New Notes to listing on the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted.

In connection with the issue of the New Notes, J.P. Morgan Securities plc (the "*Stabilizing Manager*") (or persons acting on behalf of the Stabilizing Manager) may over-allot New Notes or effect transactions with a view to supporting the market price of the New 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 New 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 New Issue Date and 60 days after the date of the allotment of the New 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.

Other than the approvals by the CMB and the Central Bank of Ireland's approval under the Prospectus Directive, the New Notes have not been approved or disapproved by the US Securities and Exchange Commission (the "*SEC*"), any state securities commission or any other US, Turkish, Irish or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary may be a criminal offense.

The distribution of this Offering Circular and the offering of the New Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons that come into possession of this Offering Circular are required by the Bank and the Initial Purchasers to inform themselves about and to observe any such restrictions.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the New Notes (or any beneficial interest therein) in any jurisdiction to the extent that such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Circular and the offer and sale of the New Notes (and beneficial interests therein) in the United States, Turkey, the United Kingdom and other jurisdictions.

Reference is made to the "Index of Terms" for the location of the definitions of certain terms defined herein.

RESPONSIBILITY STATEMENT

The Bank accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and contains no omission likely to affect the import of such information.

All of the information contained in this Offering Circular concerning the Turkish market and the Bank's competitors has been obtained (and extracted without material adjustment) from publicly available information. Where third-party information has been used in this Offering Circular, the source of such information has been identified. As far as the Bank is aware and able to ascertain from the information published by such third-party sources, this information has been accurately reproduced and no facts have been omitted that would render the reproduction of this information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Offering Circular, while believed to be reliable, has not been independently verified by the Bank or any other party.

The language of this Offering Circular is English. Certain legislative references and technical terms (*e.g.*, the titles of Turkish legislation and the names of Turkish institutions referenced herein) have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

All data relating to the Turkish banking sector in this Offering Circular have been obtained from the BRSA's website at www.bddk.org.tr, the Banks Association of Turkey's website at www.tbb.org.tr or the website of the Interbank Card Center (*Bankalararasi Kart Merkezi*), and all data relating to the Turkish economy, including statistical data, have been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) ("*TurkStat*") at www.turkstat.gov.tr, the website of the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the "*Central Bank*") at www.tcmb.gov.tr, the Turkish Treasury's website at www.hazine.gov.tr or the European Banking Federation's website at www.ebf.fbe.eu. Data have been downloaded/observed on various days between the months of January 2013 and April 2013. Such data have been extracted from such websites without material adjustment, but may not appear in the exact same form on such websites or elsewhere. Such websites do not, and should not be deemed to, constitute a part of, or be incorporated into, this Offering Circular.

Except as required to comply with its regulatory obligations, the Bank does not have any intention or obligation to update forward-looking statements to reflect new information or future events or risks that may cause the forward-looking events discussed in this Offering Circular not to occur or to occur in a manner different from what the Bank currently expects.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED (THE "*RSA*") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE NEW HAMPSHIRE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE NEW HAMPSHIRE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains statements that may be considered to be "forward-looking statements" (as that term is defined in the US Private Securities Litigation Reform Act of 1995) relating to the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's businesses). When used in this Offering Circular, the words "anticipates," "estimates," "expects," "believes," "intends," "plans," "aims," "may," "will," "should" and any similar expression generally identify forward-looking statements. Forward-looking statements appear in a number of places throughout this Offering Circular, including (without limitation) under "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business of the Group" and include, but are not limited to, statements regarding:

- strategy and objectives,
- trends affecting the Group's results of operations and financial condition,
- asset portfolios,

- loan loss reserves,
- capital spending,
- legal proceedings, and
- the Group's potential exposure to market risk and other risk factors.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements.

The Bank has identified some of the risks inherent in these forward-looking statements and these are set out under "Risk Factors." Such risks include, but are not limited to, those in relation to:

- the interests of the Bank's controlling shareholders,
- counterparty credit risk,
- any growth in the Group's loan portfolio and industry and borrower concentrations therein,
- changes in market interest rates and exchange rates,
- liquidity and deposit concentration risks,
- access to capital,
- operational risks,
- the policies of the Turkish government,
- the Group's ability to retain key members of staff,
- the Group's risk management activities,
- competition in the Turkish banking sector,
- changes to Turkish law and regulations,
- changes to capital adequacy requirements, and
- the Turkish economy.

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. There may be other risks, including some risks of which the Bank is unaware, that could adversely affect the Group's results or the accuracy of forward-looking statements in this Offering Circular. Therefore, potential investors should not consider the factors discussed under "Risk Factors" to be a complete set of all potential risks or uncertainties of investing in the New Notes.

Potential investors should not place undue reliance upon any forward-looking statements. Except as required to comply with its regulatory requirements, the Bank does not have any intention or obligation to update forward-looking statements to reflect new information or future events or risks that may cause the forward-looking events discussed in this Offering Circular not to occur or to occur in a manner different from what the Bank currently expects.

PRESENTATION OF FINANCIAL INFORMATION

The Bank maintains its books and prepares its statutory financial statements in Turkish Lira in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Banking Law No: 5411 and other regulations, circulars and communiqués in respect of accounting and financial reporting and pronouncements made by the BRSA (collectively, the "*BRSA Principles*").

The Bank's consolidated and unconsolidated annual statutory financial statements as of and for the years ended December 31, 2010, 2011 and 2012 (the "*BRSA Financial Statements*") have been prepared and presented in accordance with BRSA Principles. It is important to note that the consolidated BRSA Financial Statements are prepared with inclusion of only financial subsidiaries whereas other equity participations are included as noted in the following paragraph. The Bank's foreign affiliates maintain their books of account and prepare their financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate.

The BRSA Financial Statements are prepared on a historical cost basis except for: (a) financial assets at fair value through profit or loss (including financial liabilities held for trading), financial assets available-for-sale, derivative financial instruments and equity participations quoted on the stock exchanges, which are presented on a fair value basis if reliable measures are available, and (b) loans, investments categorized as held-to-maturity and other financial assets, which are presented at amortized cost.

The BRSA Financial Statements as of and for the years ended December 31, 2010, 2011 and 2012 have been audited in accordance with such regulation and the International Standards on Auditing by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) ("*KPMG*"). See KPMG's reports included with the BRSA Financial Statements attached to (or incorporated by reference into) this Offering Circular. According to BRSA regulations the Bank was required to rotate its external auditors. As a result, KPMG was appointed as the Bank's external auditors as of December 17, 2009 for three years (*i.e.*, financial statements for 2010, 2011 and 2012), and as of March 29, 2013 was appointed again for three years (*i.e.*, for 2013, 2014 and 2015). See "Risk Factors – Risks Related to the Group's Business – Audit Qualification."

Unless otherwise indicated, the financial information presented herein is based upon the BRSA Financial Statements attached hereto (or incorporated by reference herein) and have been extracted from the BRSA Financial Statements without material adjustment. The BRSA Financial Statements attached to (or incorporated by reference into) this Offering Circular, all of which are in English, were prepared as convenience translations of the 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 attachment to this Offering Circular.

While neither the Bank nor the Group is required by law to prepare its accounts under any accounting standards other than BRSA Principles, including under International Financial Reporting Standards ("*IFRS*"), the Bank's management has elected to publish annual (consolidated and unconsolidated) and semi-annual (consolidated only) financial statements that have been prepared in accordance with IFRS, with the most recent such audited financial statements being the Group's IFRS financial statements for the fiscal year ended December 31, 2011. IFRS financial statements are not used for any regulatory purposes and the Bank's management uses the BRSA Financial Statements and related BRSA Principles for the management of the Bank and communications with investors. While the information in this Offering Circular is based upon the BRSA Financial Statements, the Group's IFRS audited financial statements as of and for the years ended December 31, 2010 and 2011 (the "*IFRS Financial Statements*") have been incorporated herein by reference; *it being noted* that audited IFRS financial statements for fiscal year 2012 have not yet been published.

The Bank utilizes several internal definitions of small and medium-sized enterprise ("*SME*") based upon criteria including annual turnover, credit limits and/or average assets under management, among others; *however*, with respect to certain published financial information concerning SMEs, the Bank uses the BRSA definition of SME (as defined in the Regulation on SMEs, their Definitions, Qualifications and Classification published in the Official Gazette dated November 18, 2005, numbered 25997) in order to render such data comparable to that of other Turkish banks. Such BRSA definition of SME includes companies with an annual turnover or total balance sheet assets of less than or equal to TL 40 million (increased from TL 25 million as of November 4, 2012 and numbered 28457) and companies with less than 250 employees (the "*BRSA SME Definition*"); *it being understood* that all information herein referencing the BRSA SME Definition utilizes the earlier definition for information through November 4, 2012 and the current definition thereafter.

The Bank utilizes several internal definitions of corporate customers based upon criteria including annual sales and/or credit limits, among others; *however*, with respect to certain published financial information concerning corporate customers, the Bank defines corporate customers as those companies that are larger than SMEs (in terms of annual turnover, total assets or number of employees) as defined by the BRSA SME Definition in order to render such data comparable to that of other Turkish banks (the "*Corporate Definition*").

Certain figures included in this Offering Circular have been subject to rounding adjustments (*e.g.*, certain US Dollar amounts have been rounded to the nearest million). Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Unless otherwise indicated, the sources for statements and data concerning the Bank and its business are based upon best estimates and assumptions of the Bank's management. Management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Bank included herein, whether based upon external sources or based upon the Bank's management internal research, constitute the best current estimates of the information described.

The contents of any website referenced herein do not form part of (and are not incorporated into) this Offering Circular.

NON-GAAP MEASURES OF FINANCIAL PERFORMANCE

To supplement the Group's consolidated financial statements presented in accordance with BRSA Principles, the Group uses certain ratios and measures included in this Offering Circular that would be considered non-GAAP financial measures in the United States. A body of generally accepted accounting principles such as IFRS or BRSA Principles is commonly referred to as "GAAP." A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but that excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. These non-GAAP financial measures are not a substitute for GAAP measures, for which management has responsibility.

For the Group, these non-GAAP measures include (without limitation): net interest margin, adjusted net interest margin, net yield, adjusted net interest income as a percentage of average interest-earning assets, cost-to-income ratio, cost-to-income ratio if income were calculated without subtracting impairment losses, operating expenses as a percentage of total assets, liquid assets as a percentage of total deposits, free capital ratio, allowance for possible loan losses to non-performing loans, return on average total assets, return on average shareholders' equity, average spread, the amount of net allowances charged to operating expenses, the increase of operating expenses if impairment losses and foreign exchange losses are excluded, average total assets, average shareholders' equity, average shareholders' equity as a percentage of average total assets and non-recurring items in income statement. Refer to the "Overview - The Group," "Summary Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Statistical and Other Information" and "Business of the Group" sections of this Offering Circular for an additional discussion of the specific adjustments applied in reconciliation to the directly comparable measures.

The non-GAAP measures included in this Offering Circular are not in accordance with or an alternative to measures prepared in accordance with BRSA Principles and may be different from similarly-titled non-GAAP measures used by other companies. The Bank's management believes that this information, along with comparable measures under BRSA Principles, is useful to investors because it provides a basis for measuring the organic operating performance in the years presented. These measures are used in internal management of the Group, along with the most directly comparable financial measures under BRSA Principles, in evaluating the Group's operating performance. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with BRSA Principles. Non-GAAP financial measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

The Bank's management believes that these non-GAAP measures, when considered in conjunction with measures under BRSA Principles, enhance investors' and management's overall understanding of the Group's current financial performance. In addition, because the Group has historically reported certain non-GAAP results to investors, the Bank's management believes that the inclusion of non-GAAP measures provides consistency in the Group's financial reporting.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, references to "*Turkish Lira*" or "*TL*" are references to the Turkish currency, references to "*US$*," "*$*," "*US Dollars*" or "*Dollars*" are to United States Dollars and references to "*Euro*" or "*€*" are to the single currency of the participating member states of the European Union (the "*EU*") that was adopted pursuant to the Treaty of Rome of March 27, 1957, as amended by the Single European Act of 1986 and the Treaty of European Union of February 7, 1992, as amended.

For the convenience of the reader, this Offering Circular presents translations of certain Turkish Lira amounts into Dollars at the Turkish Lira exchange rate for purchases of Dollars announced by the Bank (the "*TL/$ Exchange Rate*") (see "Exchange Rates"). This rate differs from the official cash buying rate for Dollars announced by the Central Bank as the TL/$ Exchange Rates are based upon the actual cash buying rates announced by the Bank on the relevant dates. No representation is made that the Turkish Lira or Dollar amounts in this Offering Circular could have been or could be converted into Dollars or Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see "Risk Factors – Risks Related to the Group's Business – Foreign Exchange and Currency Risk" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." See also "Exchange Rates," which sets out certain historical information relating to the Turkish Lira exchange rate for purchases of US Dollars as announced by the Central Bank.

DOCUMENTS INCORPORATED BY REFERENCE

The following document that has previously been published and has been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Offering Circular:

- the independent auditors' audit report and audited consolidated BRSA Financial Statements of the Group for the year ended December 31, 2010,
- the independent auditors' audit report and audited consolidated IFRS Financial Statements of the Group for the year ended December 31, 2011, and
- the independent auditors' audit report and audited consolidated IFRS Financial Statements of the Group for the year ended December 31, 2010.

Any documents, websites and other sources themselves incorporated by reference in the documents incorporated by reference in this Offering Circular do not (and shall not be deemed to) form part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular are available on the Bank's website at http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_consolidated-407-401.aspx (with respect to the 2010 BRSA Financial Statements) and 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 2011 and 2010 IFRS Financial Statements) (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Offering Circular).

AVAILABLE INFORMATION

THE BANK HAS UNDERTAKEN IN A DEED POLL ENTERED INTO ON THE ORIGINAL ISSUE DATE (WHICH WILL BE AMENDED AND SUPPLEMENTED BY A FIRST SUPPLEMENTAL DEED POLL DATED THE NEW ISSUE DATE) THAT, FOR SO LONG AS ANY NOTES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT, IT WILL, DURING ANY PERIOD IN WHICH IT IS NEITHER SUBJECT TO AND IN COMPLIANCE WITH SECTION 13 OR 15(D) OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "*EXCHANGE ACT*"), NOR EXEMPT FROM REPORTING PURSUANT TO RULE 12g3-2(b) THEREUNDER, FURNISH UPON REQUEST TO ANY HOLDER OR BENEFICIAL OWNER OF NOTES, OR ANY PROSPECTIVE PURCHASER DESIGNATED BY ANY SUCH HOLDER OR BENEFICIAL OWNER, THE INFORMATION SPECIFIED IN, AND MEETING THE REQUIREMENTS OF, RULE 144A(d)(4) UNDER THE SECURITIES ACT.

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OVERVIEW

The Group

The following text should be read in conjunction with, and is qualified in its entirety by, the detailed information and the financial statements (including the notes thereto) appearing elsewhere in this Offering Circular.

The Bank was established under the laws of the Republic of Turkey in 1924 at the initiative of Mustafa Kemal Atatürk as the first national bank of the Republic of Turkey and began operating with two branches and 37 staff members. Unlike many of its competitors, the Bank is neither a family-run enterprise nor a state bank. In May 1998, 12.3% of the Bank's total shares previously held by the Turkish Treasury were sold to national and international investors in a public offering.

Since its establishment, the Bank has played an important role not only in the Turkish financial sector but also in certain industrial sectors in Turkey. The Bank has pioneered the development of a number of new areas of business through investments and equity participations in the industrial and financial services sectors. Since its establishment, the Bank has invested in the equity of almost 300 companies and, over time, has divested shares in all but 27 of these companies. As of December 31, 2012, the Bank's direct equity interests were in companies operating in finance, glass, telecommunications and other industrial and services sectors. As of December 31, 2012, the total book value of the Bank's equity participations was TL 7,700 million.

As of December 31, 2012, 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, consumer loans, number of debit cards and volume of debit cards transactions among private sector banks (sources: BRSA and Interbank Card Center). The Group has approximately 13.3 million retail customers, nearly 6,000 corporate customers and almost 850,000 commercial customers as of December 31, 2012. The Bank has the largest deposit base among private banks with TL 105,383 million in deposits as of December 31, 2012 (Source: BRSA). Unlike most of its competitors, in addition to the branches in large cities, the Bank also has branches in rural districts. In particular, in 77 out of the 81 cities of Turkey, the Bank has the largest number of branches among private banks according to the Turkish Banks Association. The Group's relationships with its customers have also typically been long-standing; for example, as of December 31, 2012, the Bank's customers have held accounts with the Bank for an average of 9.0 years.

The Bank provides a full range of banking services, including but not limited to the following five sectors:

- *corporate banking activities*: commercial loans, non-cash loans (including letters of guarantee, guarantees and acceptances), foreign trade operations, project finance, merger and acquisition finance, hedging and cash management solutions,

- *commercial banking activities*: commercial deposit taking, business credit cards, commercial loans, small business loans, flexible business loans, overdraft commercial accounts, point of sales-based loans, commercial housing loans, commercial auto loans, tractor and agricultural equipment loans, small business export and investment loans, letters of credit, letters of guarantee, point-of-sales agreements, automatic payment instructions, tax collection, internet banking, foreign trade operations, sector-specific packages, cash management and payment system facilities,

- *retail banking activities*: deposit accounts, credit cards, debit cards, prepaid cards, housing loans, general purpose loans, auto loans, overdraft accounts, merchant agreements, payroll accounts, automatic payment instructions, social security premium collection, tax collection, tuition fee collection, investment products, insurance products and HGS-OGS (Turkey's highway toll collection system),

- *private banking activities*: in addition to retail banking products and services, Privia-branded products (including credit cards, Privia consumer loans, Privia mutual funds and Privia individual pension accounts) and structured products, each tailored to the needs of specific private banking customers, and

- *capital market operations activities*: investment account system, mutual funds, equity brokerage, odd-lot transactions, fixed income business (bond trading), gold trading, futures and options brokerage, repo and custody services.

The Bank has long been an innovator in the banking sector, including being the first bank in Turkey to introduce ATMs (in 1982), electronic banking (in 1983), interactive telephone banking (in 1991), interactive banking (in 1996) and internet banking (in 1997). The Bank's ATM name "Bankamatik" has become the generic name for all ATMs in Turkey. The Bank continued to innovate the development of alternative delivery channels in the Turkish banking industry in 2007 with the launch of "İşCep", which was the first Java-based mobile banking application in Turkey. Since 2012, the Bank's delivery channels have been combined under the umbrella "Instant Banking" (*Anında Bankacılık*), with all channels utilizing similar log-in procedures and providing a consistent customer experience. In 2012, approximately 78% of the Bank's total consumer banking transactions took place via this "Instant Banking" platform. The Bank's management believes that the Bank offers a wider range of banking services through its ATM network and online/mobile banking channels than any of its competitors.

As of December 31, 2012, the Group's capital adequacy ratio was 16.3% (13.5% when calculated using Tier I capital only) calculated in accordance with the Basel II rules that came into effect on July 1, 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy." As of the same date, the Group's shareholders' equity was TL 24,859 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 27.1% and its cash loan-to-deposit ratio was 108.2%. The Group's net operating income was TL 3,916 million in 2010, TL 3,088 million in 2011 and TL 4,661 million in 2012. The Group's net period profit from continuing operations was TL 3,232 million in 2010, TL 2,389 million in 2011 and TL 3,715 million in 2012.

As of December 31, 2012, the Group had total assets of TL 201,075 million, total deposits of TL 106,011 million and a loan portfolio of TL 114,719 million.

The Bank's registered office is İş Kuleleri, 34330 Levent, Beşiktaş, İstanbul. Its registration number is 431112.

Key Strengths

The Bank's management believes that the Group has a number of key strengths that enable the Group to compete effectively in the Turkish banking sector. The Bank's management sees these key strengths as being:

- the Bank is a market leader in the Turkish banking sector in both size and scope of operations, which enables it to benefit significantly from economies of scale, capitalizing on the overall strong growth in the Turkish economy despite difficult economic conditions since 2009 due to the global financial crisis,

- the Bank's strong liquidity and capital structure, combined with its conservative funding policy, supports its ability to attract a strong deposit base (including benefitting from a "flight to quality" during difficult market conditions),

- the Bank is a recognized and trusted banking brand in Turkey, which facilitates the Group's ability to be a Turkish market leader and trusted banking partner for customers,

- the Bank's large customer base compared to its private sector banking competitors and its understanding of its customers as a result of the long-standing relationships with its customers provides the Bank with an important competitive advantage due to the relatively high cost of attracting new customers as compared to maintaining existing customers,

- the Bank's diversified loan portfolio helps the Bank avoid overexposure to any industry, product, region or customer,

- the Bank's prudent risk management enables the Group to maintain the high quality of its loan portfolio, particularly as the Group seeks to continue to grow its business,

• the Bank's strong focus on employee training and development and its highly-skilled workforce support the Bank's focus on customer service and provides the Group with a competitive advantage over its competitors,

• the Bank maintains high standards of corporate governance and business ethics, which both improve management's efficiency and protects the interests of the Group's stakeholders, and

• the Bank's strong record of innovation supports its customer loyalty and the Bank's relative strengths in the competitive Turkish banking sector.

Prospective investors in the New Notes should refer to "Business of the Group-Key Strengths" for more detail on the key strengths outlined above.

Strategy

The Bank's strategic vision is to become the most preferred bank in Turkey for its customers, shareholders and employees, including being the "customer champion." The main objectives of the strategy are achieving profitable and sustainable growth via increasing customer satisfaction, improving employee performance, reducing the cost base and increasing productivity and effectiveness. The Bank plans to reach these targets by maintaining market shares in the primary banking services and leveraging new growth opportunities with a cost effectiveness perspective, continuously improving its asset quality, focusing on sustainable non-interest income generation and price optimization for all financial products and services, while operating within a risk-based capital management framework. The key elements of the Group's strategy are set out below:

• capitalize on expected growth of Turkish economy and banking sector through expansion of its distribution channels and introduction of new products and services,

• defend and selectively grow market share across key markets through superior customer service,

• reduce its cost-base and increase productivity and commercial effectiveness,

• continue to focus on recruitment and development, and

• international expansion.

Prospective investors in the New Notes should refer to "Business of the Group-Strategy" for more detail on the key strategies outlined above.

Risk Factors

Investing in the New Notes entails certain risks. Before investing in the New Notes, investors should carefully review "Risk Factors" below, which sets out certain risks relating to political, economic and legal circumstances, the Turkish banking industry, the Group and its business and the New Notes themselves. Potential investors should not consider the factors discussed under "Risk Factors" to be a complete set of all potential risks or uncertainties of investing in the New Notes.

The New Notes

The following sets out certain information relating to the offering of the New 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 Offering Circular. See, in particular, "Conditions of the Notes."

Issue: .... US$250,000,000 principal amount of 3.750% Notes due 2018 (*i.e.*, the New Notes). The New Notes will be consolidated and form a single series with the Original Notes on the New Issue Date.

Interest and Interest Payment Dates: .... The Notes (including, notwithstanding their issuance on the New Issue Date, the New Notes) will bear interest from and including the Original Issue Date (*i.e*., April 10, 2013) at the rate of 3.750% *per annum*, payable semi-annually in arrear on the 10th day of each April and October (each an "*Interest Payment Date*"); *provided* that, as described in Condition 7.4, if any such date is not a Business Day (as defined in Condition 7.4), then such payment will be made on the next Business Day. The first interest payment on the Notes (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 October 10, 2018.

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

Status:... The Notes are (or, in the case of the New Notes, will be) senior, direct, unconditional and (subject to the provisions of the negative pledge in Condition 4) unsecured obligations of the Bank and will rank at least *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. The Notes were (or, in the case of the New Notes, will be) issued pursuant to the Turkish Commercial Code (Law No. 6102) and the Communiqué.

Negative Pledge: .... Subject to certain exceptions, 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 Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

See "Conditions of the Notes – Condition 4."

Certain Covenants: .... The Bank will agree to certain covenants, including covenants limiting transactions with affiliates. See "Conditions of the Notes – Condition 5."

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 a Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Bank will (subject to certain exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the 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. Under current Turkish law, withholding tax at the rate of 0% applies on interest on the Notes. See "Taxation-Certain Turkish Tax Considerations."

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA, as provided in Condition 7.2; *it being understood* that, in accordance with Condition 9.1, no additional amount will be payable by the Bank in respect of any such withholding or reduction.

See "Conditions of the Notes – Condition 9."

Optional Redemption for Taxation 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 fixed for redemption) if:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, 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 April 8, 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 applicable prevailing rates on April 8, 2013, and

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

Events of Default: .... The Notes will be subject to certain Events of Default (as defined in Condition 11.1) including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See "Conditions of the Notes – Condition 11."

Form, Transfer and Denominations: .... New Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Regulation S Certificate in registered form, without interest coupons attached, which will be deposited with the Common Depositary, and registered in the name of the Common Depositary (or a nominee thereof). New Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Rule 144A Certificate(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 New Notes will not be issued to investors in exchange for beneficial interests in the Global Certificates.

Interests in the Global Certificates will be subject to certain restrictions on transfer. See "Transfer Restrictions." Interests in the Regulation S Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg (or their respective direct or indirect participants, as applicable). Interests in the Rule 144A Certificate(s) will be shown on, 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 US$200,000 and integral multiples of US$1,000 thereafter.
***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 United States Internal Revenue Code of 1986, as amended (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."
Governing Law:	The Notes, the Agency Agreement, the Deed Poll and the Deed of Covenant are (or, as applicable, will be) governed by, and construed in accordance with, English law.
Listing:	An application has been made to the Irish Stock Exchange to admit the New Notes to listing on 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 New Notes (or beneficial interests therein) are subject to restrictions in Turkey in accordance with applicable CMB and BRSA laws and regulations. See "Selling Restrictions-Notice to Residents of Turkey."
Other Selling Restrictions:	The New Notes have not been and will not be registered under the Securities Act or any 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 New Notes (or beneficial interests therein) is also subject to restrictions in the United Kingdom. See "Selling Restrictions."
Risk Factors:	For a discussion of certain risk factors relating to Turkey, the Bank and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "Risk Factors."
Issue Price:	100.983% of the principal amount *plus* 16 days' deemed accrued interest (in respect of the period from (and including) the Original Issue Date to (but excluding) the New Issue Date), payable in full in US Dollars on the New Issue Date.
Yield:	3.550%, calculated on the basis of a semi-annual coupon payment period.
***Regulation S Notes Security Codes*:**	ISIN: XS0808632250 Common Code: 080863225
Rule 144A Notes Security Codes:	CUSIP: 900151AD3 ISIN: US900151AD37 Common Code: 078394994
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

RISK FACTORS

An investment in the New Notes involves certain risks. Potential investors should carefully read this entire Offering Circular and in particular should consider all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest. These risk factors, individually or together, could have a material adverse effect on the Group's business, operations and financial condition, which in turn could have a material adverse effect on the Bank's ability to make payments under the Notes. In addition, the value of the Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Group faces. These are only the risks that the Bank considers to be material to investors in the New Notes. In addition, the following describes certain general risks applicable to an investment in Turkey and the Turkish banking industry and, specifically, risks associated with an investment in the New Notes. There may be additional risks that the Bank does not consider to be material to investors in the New Notes, and risks of which it is currently not aware, and any of these risks could have similar effects to those described in this section.

This Offering Circular contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular. See "Forward-Looking Statements."

Risks Related to the Group's Business

Global Financial Crisis and Eurozone Crisis – The Group has been, and will likely continue to be, subject to the risks arising from the recent global financial crisis and continuing Eurozone crisis

Since mid-2007, the global financial crisis has been the most significant factor affecting global economic conditions. It has resulted in significant declines in the value of a broad range of real and financial assets, increased volatility in financial markets and reduced availability of funding. Internationally, many financial institutions sought to raise additional capital and a number have failed or merged with larger institutions. As a result of concern about the stability of the financial markets generally and the strength of counterparties in particular, many lenders and institutional investors have reduced lending and, in some cases, ceased providing funding to borrowers, including other financial institutions, which has significantly reduced liquidity and the availability of credit in the global financial system.

In response to the global financial crisis, many governments implemented significant stabilization packages, which included (among other things) the recapitalization of banks, government guarantees of certain forms of debt, the purchase by government agencies of distressed assets and the provision by governments of guarantees of distressed assets held by banks and other financial institutions.

The global financial crisis and related economic slowdown has significantly impacted the Turkish economy and the principal external markets for Turkish goods and services. During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and declined 4.8% in 2009. Following the implementation of fiscal and monetary measures during 2009, the Turkish economy began to recover in the fourth quarter of 2009, resulting in Turkey's GDP growing by 9.2% in 2010, 8.8% in 2011 and 2.2% in 2012 and its unemployment rate decreasing from 16.1% in February 2009 to 9.2% at the end of 2012 (source: Turkstat). There can be no assurance that the unemployment rate will, in fact, continue to improve, or even that it will not increase in the future. Continuing high levels of unemployment may affect the Group's retail customers and business confidence, which could impair its business strategies and have a material adverse effect on its business, financial condition and/or results of operations.

Continuing concerns about a sovereign debt crisis in certain European countries, including Cyprus, Greece, Ireland, Italy, Portugal and Spain, have undermined investor confidence and resulted in a general deterioration of the financial markets since 2010. Although there have been indications of economic recovery, the recovery may not continue. Any deterioration in the condition of the global or Turkish economies, or continued uncertainty around the potential for such deterioration, could have a material adverse effect on the Group's business and customers in a number of ways, including, among others, the income, wealth, employment, liquidity, business, prospects or financial condition of the Group's customers, which, in turn, could further reduce the Group's asset quality and demand for the Group's products and services and negatively impact the Group's growth plans. The Group's business, financial condition and/or results of operations may also continue to be adversely affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

Counterparty Credit Risk – The Group is subject to credit risk in relation to its borrowers and other counterparties

The Group is subject to inherent risks concerning the credit quality of borrowers and other counterparties, which has affected and is expected to continue to affect the value of the Group's assets, particularly if economic conditions in Turkey deteriorate. A general assessment of risk by categories suggests that credit risk was the most significant risk to which the Group has been exposed in the last three years.

Changes in the credit quality of the Group's customers and counterparties arising from systemic risks in the Turkish and global financial system can negatively affect the value of the Group's assets. Such risks could also result in increased unemployment, reduced corporate liquidity and profitability, increased corporate insolvencies and the inability of individuals to service their personal debt, which negatively affect the Turkish banking sector, including the Group. According to BRSA statistics, the ratio of non-performing loans to total loans in the Turkish banking sector was 3.7% as of December 31, 2010, 2.7% as of December 31, 2011 and 2.9% as of December 31, 2012 (with respect to the Group, 3.4%, 2.1% and 1.8%, respectively). For information on the Group's non-performing loans, see "Selected Statistical and Other Information – Summary of Loan Loss Experience."

Although the Group has put in place policies and procedures to monitor and assess credit risk, taking into account the payment ability and cash generating ability of the borrower in extending credit, the Group might not correctly assess the creditworthiness of its credit applicants. In addition, as the Group's loan portfolio has grown substantially, particularly since the instability caused by the global financial crisis has decreased, the Group has extended credit both to new customers, many of whom may have more limited credit histories, and existing customers. Although such new loans are subject to the Group's credit review and monitoring practices, they may be subject to higher credit risks compared to borrowers with whom the Group has greater experience. Furthermore, the Group's exposures to certain borrowers (particularly for loans for infrastructure and energy projects) are large and the Group is likely to continue making such large loans where such an investment is determined by the Group to be a credit-worthy transaction. See "Risk Management – Credit Risk." The Group's exposure to credit risk could lead to a material adverse effect on the Group's business, financial condition and/or results of operations.

Competition in the Turkish Banking Sector – The Group faces intense competition in the Turkish banking sector

The Turkish banking sector is highly competitive and dominated by a small number of banks. As of December 31, 2012, there were a total of 49 banks (excluding the Central Bank) licensed to operate in Turkey. As of September 30, 2012, the top five banks in Turkey (one of which is a state-controlled bank) held 56.5% of the banking sector's total loan portfolio (excluding participation banks) and 60.0% of the total bank assets (excluding participation banks) in Turkey, according to the Banks Association of Turkey. As of December 31, 2012, the Bank was the largest in the Turkish banking sector in terms of total assets, total loans and shareholders' equity and was also the largest among the private commercial banks in terms of total deposits, each as measured on a bank-only basis. The Group also faces competition against the state-controlled financial institutions, such as T.C. Ziraat Bankası A.Ş. ("*Ziraat*"), Türkiye Vakıflar Bankası T.A.O ("*Vakıfbank*") and Türkiye Halk Bankası A.Ş. ("*Halkbank*"). Such government-controlled financial institutions historically focused on government and government-related projects but are increasingly focusing on the private sector, leading to increased competition and pressure on margins. In particular, such government-controlled institutions may have access to low cost deposits (on which such institutions pay low or no interest) through "State Economic Enterprises" owned or administered by the Turkish government, which could result in a lower cost of funds that cannot be duplicated by private banks. Such actions by government-controlled financial institutions, in addition to ongoing competitive pressures from private financial institutions, are expected to put downward pressure on net interest margins in at least the short term.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredito Italiano, BBVA, BNP Paribas, the National Bank of Greece, Citigroup, ING, Sberbank, Bank Hapoalim, Bank Audi sal, Burgan Bank and Bank of Tokyo-Mitsubishi UFJ are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices. The Bank's management believes that further entries into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, could increase competition in the market. Similarly, the expansion of foreign banks' presence in Turkey, in addition to direct investment, may lead to further competitive pressures. Foreign competitors may have greater resources and more cost-effective funding sources than the Group. If competitors can offer better lending rates to clients or higher interest rates on deposits, the Group could lose customers, be forced to reduce its margins or be forced to look for more expensive funding sources, among other things. This, in turn, could negatively affect the Group's profitability. The Group might not be able to offset domestic and foreign competitive pressures in certain industry sectors.

To address this competition, the Bank plans to continue expanding its branch network (including opening new international branches in Dohuk and Baghdad in Iraq and Tbilisi in Georgia) and operations and/or redistribute the distribution of its existing branches while continuing its focus on financial strength and performance. Risks associated with the implementation of such strategy may include higher than anticipated costs of opening new branches, an inability to deploy profitably assets acquired or developed through expansion, new business operations (including the deployment of new products) having less profit potential (or none at all) and demonstrating lower overall growth than the Bank anticipates, pressure on profits owing to the time lag between the incurrence of expansion costs and any related future increases in income, a likely increase in the Bank's cost base and a potential negative impact on its margins. In 2012, the Bank opened 47 domestic branches, and the Bank is currently planning on opening a total of 45 to 50 domestic branches during 2013. Moreover, as competition in the Turkish banking sector continues to intensify, the Group may seek to further expand internationally through acquisitions or the establishment of branches, which may lead to additional risks and uncertainties relating to the geographic, political and economic environment into which the Group seeks to expand.

In addition, Turkish banks traditionally have tended to hold a significant proportion of their assets in Turkish government securities. Since 2008, interest rates in Turkey have declined substantially, which has made holding government bonds a less profitable strategy and banks have reacted by shifting funds towards higher-yielding assets, such as loans to customers. Increased competition for customers in these circumstances, *however*, may reduce lending margins. As a result of increased competition in conjunction with the lower interest rate environment, the margins the Group can achieve on its products may decrease. Further competitive pressures might result in continued margin compression, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Market Risk – The Group is exposed to market risk

The Group is subject to risks that arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group seeks to manage its market risk exposure through a range of measures (see "Risk Management – Market Risk" for further information). Such measures might not be successful in mitigating all market risk and the Group's exposure to market risks could lead to a material adverse effect on the Group's business, financial condition and/or results of operations. Certain of such risks are described in greater detail below.

Foreign Exchange and Currency Risk – The Group is exposed to foreign exchange and currency risks

A significant portion of the Group's assets and liabilities are denominated in foreign currencies, particularly US Dollars, Euro and Pounds Sterling. For example, the Group had loans denominated in currencies other than the Turkish Lira totaling the equivalent of TL 38,635 million and TL 42,073 million as of December 31, 2011 and 2012, respectively, representing 39.0% and 36.7%, respectively, of the Group's total loans at such dates. In preparing its BRSA Financial Statements, transactions in currencies other than Turkish Lira are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. As a result, the Group's reported income is affected by changes in the value of the Turkish Lira with respect to foreign currencies. 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.

In addition, the Group is exposed to exchange rate risk to the extent that its assets and liabilities are mismatched. The Group seeks to manage the gap between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated funding or by entering into currency hedges. Although regulatory limits prohibit the Bank and the Group from having a net currency short or long position of greater than 20% of the total capital used in the calculation of its regulatory capital adequacy ratios, if the Bank or the Group is unable to manage the gap between its foreign currency-denominated assets and liabilities, then material volatility in exchange rates could lead to operating losses, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Although the Group has adopted procedures and policies aimed at minimizing this risk (see "Risk Management – Currency Risk" for further information), these measures might not adequately protect the Group's business, financial condition and/or results of operations from the effect of exchange rate fluctuations or may limit any benefit that the Group might otherwise receive from favorable movements in exchange rates.

Interest Rate Risk – The Group may be negatively affected by volatility in interest rates

The Group's results of operations depend upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest income contributed 49.8%, 48.4% and 50.2% of operating income for the years 2012, 2011 and 2010, respectively, and net interest margin as measured on a Bank-only basis was 4.2%, 3.7% and 4.3% over the same periods. Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies pursued by the Central Bank, domestic and international economic and political conditions and other factors. Income from financial operations is particularly vulnerable to interest rate volatility. In addition, as of December 31, 2012, 94.1% of the Group's securities portfolio consisted of Turkish government debt securities, which accounted for 21.0% of the Group's total assets. As a result, a large portion of the Group's total assets is exposed to interest rate risk.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby affect the Group's results of operations. An increase in interest rates, for instance, could cause interest expense on deposits (which are typically short-term and reset frequently) to increase more significantly and quickly than interest income from loans (which are short-, medium- and long-term), resulting in a reduction in net interest income. In addition, a significant fall in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant rise in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, could have a material adverse effect on the Group's business, financial condition and/or results of operations. For more information on recent trends in Turkish interest rates, see "Managements' Discussion and Analysis of Financial Condition and Results of Operations - Significant Factors Affecting the Group's Financial Condition and Results of Operations – Interest Rates."

Although the Group uses various instruments and measures to manage exposures to interest rate risk (see "Risk Management – Interest Rate Risk"), these instruments and measures might not protect the Group from the risks of changing interest rates.

Liquidity Risk – The Group is subject to liquidity and financing risk

Liquidity risk comprises uncertainties in relation to the Group's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet the maturity of liabilities and satisfy capital requirements. It includes the risk of lack of access to funding (other than from the reserves held with the Central Bank and limits granted to the Bank by the Central Bank both in Turkish Lira and foreign currency), the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Group's liabilities reasonably in line with its assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. The Group's inability to meet its net funding requirements due to inadequate liquidity could materially adversely affect its business, financial conditions and/or results of operations.

The Group relies primarily on short-term liabilities in the form of deposits (typically term deposits with terms of zero to 30 days) as its source of funding and has a mix of short-, medium- and long-term assets in the form of retail, consumer and corporate loans, mortgages and credit cards, which may result in asset-liability maturity gaps and ultimately liquidity problems. In addition, depositors might withdraw their funds at a rate faster than the rate at which borrowers repay. For example, the unemployment rate in Turkey was 9.2% as of December 31, 2012, according to TurkStat. If the Group's customers become or remain unemployed, then they might save less, or consume more of their money deposited with the Group, which could negatively affect the Group's access to deposit-based funding. An inability on the Group's part to access funds or to access the markets from which it raises funds may put the Group's positions in liquid assets at risk and lead the Group to be unable to finance its operations and growth plans adequately. The Group might be unable to secure funding through sources such as its current syndicated loan facilities or future transactions in the international capital markets if conditions in these markets, or its credit ratings, were to deteriorate.

In addition to deposits, the Group also relies on non-deposit funding (which includes repos and money market, funds borrowed and marketable securities issued), which as of December 31, 2012 accounted for 21.2% of the Group's total liabilities compared to 24.5% as of December 31, 2011. The Group's cash loan-to-deposit ratio was 108.2% as of December 31, 2012, increasing from 100.2% as of December 31, 2011 and 78.1% as of December 31, 2010. If growth in the Group's deposit portfolio does not keep pace with growth in its loan portfolio, then the Group might need to become more reliant upon non-deposit funding sources such as securities offerings, some of which might create additional risks of their own such as increased liquidity and/or interest rate gaps and exposure to volatility in international capital markets.

A rising interest rate environment could compound the risk of the Group not being able to access funds at favorable rates or at all. This and other factors could lead creditors to form a negative view of the Group's liquidity, which could result in lower credit ratings, higher borrowing costs and less access to funds. In addition, the Group's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, severe disruption of the financial markets or negative views about the prospects of the sectors to which the Group lends. While the Group aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise (including as a result of the requirement to repay any indebtedness, whether on a scheduled basis or as a result of an acceleration due to a default, change of control or other event) could adversely affect the Group's business, financial condition and/or results of operations. For example, in case of a liquidity crisis, wholesale funding would likely become more difficult to obtain, which may adversely affect borrowing using certain capital market instruments (such as "future flow" transactions and eurobonds). See also "—Foreign Currency Borrowing and Refinancing Risk" below.

Similarly, if the credit rating of the Republic of Turkey is downgraded or put on negative watch, then the Group may experience higher levels of cost of funding and subsequently difficulty accessing certain sources of international or wholesale funding.

The Group might not be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Group's inability to refinance or replace deposits and devalued assets with alternative funding could result in its failure to service its debt, fulfill loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, which could have a material adverse effect on the Group's business, financial condition and/or results of operations. For further information on the Group's liquidity risk management policy, see "Risk Management – Liquidity Risk."

Foreign Currency Borrowing and Refinancing Risk – The Group relies to an extent on foreign currency-denominated borrowings, which may result in difficulty in refinancing or may increase its cost of funding, particularly if the Group suffers a ratings downgrade

While the Bank's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Bank to match fund its long-term assets. In addition, price competition for wholesale deposits has made such deposits less attractive. As a result, the Bank has raised (and likely will seek to increase its raising of) longer term funds from syndicated loans, "future flow" transactions, eurobond issuances, bilateral loans and other transactions, almost all of which have been denominated in foreign currencies as such long-term financing is not widely available within Turkey. As of December 31, 2012, the Group's total foreign currency-denominated borrowings constituted 12.1% of its consolidated assets. To date, the Bank has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, although this might not continue in the future. Particularly in light of the historical volatility of emerging market financings, the Group: (a) might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in maturity mismatches of assets and liabilities, and (b) is susceptible to devaluations of the Turkish Lira (which would thus increase the amount of Turkish Lira that it would need to make payments on its foreign currency-denominated obligations). Should these risks materialize, these circumstances could have a material adverse effect on the Group's business, financial condition and/or results of operations.

A downward change in the ratings published by rating agencies of either Turkey or members of the Group may increase the costs of new indebtedness and/or the refinancing of the Group's existing indebtedness raised in the international financial markets, including to the extent that such a downgrade is perceived as a deterioration of the capacity of the Group to pay its debt, resulting in additional interest expense for the Group.

As required by the rules of Basel II and Basel III, banks that are in jurisdictions that have adopted Basel II (and, in the future, Basel III) and that provide credit to a bank (such as the Bank) are or may be required to apply a risk-weighting higher than that currently applied. In addition, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to the credit assessment applied to such sovereigns. According to the national law regarding the implementation of Basel II principles in Turkey, all Turkish Lira-denominated claims on sovereign entities in Turkey are risk weighted as 0%. On the other hand, foreign exchange claims on sovereign entities of Turkey are risk weighted according to the credit assessment of Turkey (*i.e.*, 50% or 100% depending upon the selection of rating agency), excluding the claims on the Central Bank (reserve requirements, etc.), which have a 0% risk weight. While it is impossible to predict the impact of the implementation of such requirements by the Group's creditors, if banks subject to the Basel requirements are required to apply higher risk weightings to credits extended to the Group, then this may result in a reduction in funds available for borrowing by the Group and/or an increase in the costs of such borrowing.

These risks may increase as the Group seeks to increase long-term lending to its customers, including mortgages and project financings, the funding for much of which is likely to be made through borrowings in foreign currency. As of December 31, 2012, approximately 97.1% of the Group's foreign currency-denominated borrowing (excluding senior eurobonds but, as they are accounted for as loans, including subordinated eurobonds) was sourced from international banks, multilateral institutions and "future flow" transactions. Should the Group be unable to continue to borrow funds on acceptable terms, if at all, this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

SME/Retail Concentration Risk – A significant percentage of the Group's loan portfolio consists of retail loans and loans to SMEs, and a negative impact on the financial condition of the Group's retail or SME customers could have a material adverse effect on the Group's business, financial condition and/or results of operations

As of December 31, 2012, 56.7% 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 28.6% of the Bank's total loan portfolio, and loans to SMEs (as defined by the BRSA SME Definition) accounting for 28.1%. Retail and SME customers typically have less financial strength than corporate borrowers, and negative developments in the Turkish economy could affect retail and SME customers more significantly than large corporate borrowers. The Group's NPL ratios for each of 2010, 2011 and 2012 were 3.4%, 2.1% and 1.8%, respectively (see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisioning for Impaired Loans"). In each of the periods mentioned, non-performing loans to SMEs (as defined by the BRSA SME Definition) accounted for a significantly higher percentage of total non-performing loans (each an "*NPL*") (6.2%, 3.8% and 2.7% as of December 31, 2010, 2011 and 2012, respectively). For retail loans, the Group's NPL ratios were 4.7%, 2.5% and 2.2% as of December 31, 2010, 2011 and 2012, respectively. A negative impact on the financial condition of the Group's retail or SME customers could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The general macro-economic conditions in Turkey could have a material adverse effect on the Group's retail and SME customers, both as borrowers and providers of deposits. For example, the unemployment rate in Turkey increased slightly in recent months due to an increasing participation rate. Should the unemployment rate increase, the ability of the Group's customers to meet their payment obligations and/or deposit funds with the Bank might be reduced. Similarly, reduced demand caused by a slowdown in the Turkish economy could significantly impact SMEs. Any material adverse effect on the Group's retail and SME customers resulting from macro-economic conditions could impair the Group's business strategies and have a material adverse effect on the Group's business, financial condition and/or results of operations.

Insufficient Collateral – The value of collateral securing the Group's loans and advances may not be sufficient

The Group may have difficulty realizing on collateral or enforcing guarantees or other third-party credit support arrangements when debtors default. In addition, the time and costs associated with enforcing security in Turkey may make it uneconomical for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its loan losses. A significant portion of the Group's loans are collateralized.

Deterioration in economic conditions in Turkey or a decline in the value of certain markets may reduce the value of collateral securing the Group's loans and advances, increasing the risk that the Group would not be able to recover the full amount of any such loans and advances in a default. In accordance with the Group's credit policies, if any collateral shortfall is identified during credit reviews, then borrowers are required to provide additional collateral sufficient to cover any shortfall; *however*, a borrower might not be willing or able to post additional collateral. If the Group seeks to realize on any such collateral, it may be difficult to find a buyer and/or the collateral may be sold for significantly less than its appraised or actual value.

The Group also undertakes certain types of lending without tangible collateral, relying only on personal guarantees, which may not be sufficient to cover the outstanding amount following a default.

The Group might not be able to realize adequate proceeds from collateral disposals to cover loan losses, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Reduction in Earnings on Investment Portfolio – The Group may be unable to sustain the level of earnings on its securities portfolio obtained during recent years

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest income derived from the Group's securities portfolio in 2010, 2011 and 2012 accounting for 38.5%, 34.9% and 28.2%, respectively, of its total interest income (and 25.0%, 22.8% and 18.5%, respectively, of its gross operating income before deducting interest expense and fee and commission expense). The Bank also has obtained large realized gains from the sale of securities in the available-for-sale portfolio. The CPI-linked securities in the Bank's investment portfolio have been providing high real yields compared to other government securities, which also have been generating high nominal yields in a high inflation environment, but their impact on the Bank's earnings will vary as inflation rates change.

While the contribution of income from the Group's securities portfolio has been significant over recent years, such income may not be as large in coming years. In particular, the robust trading gains earned during the global financial crisis as a result of the high level of volatility in financial markets might not continue. In addition, the recent trend towards lower interest rates may result in lower nominal earnings on the Group's holdings of securities. As such, high levels of earnings from the Group's securities portfolio might not be sustainable in future periods. If the Group is unable to sustain its high levels of earnings from its securities portfolio, then this could have a material adverse effect on its business, financial condition and/or results of operations. In addition, as the Group's investment portfolio is heavily concentrated in Turkish government securities, see also "Risks Related to Turkey - Government Default" below.

Correlation of Financial Risks – The occurrence of a risk borne by the Group could exacerbate other risks that the Group faces

The exposure of the Group's business to a market downturn in Turkey or the other markets in which it operates, or any other risks, could exacerbate or trigger other risks that the Group faces. For example, if the Group incurs substantial trading losses due to a market downturn in Turkey, then its need for liquidity could rise sharply while the availability of such liquidity in the market could be impaired. In addition, in conjunction with a market downturn, the Group's customers could incur substantial losses of their own, thereby weakening their financial condition and increasing the credit risk of the Group's exposure to such customers. If this or any other combination of risks occurs, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Banking Regulatory Matters – The activities of the Group are highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Group's business

As banks are highly regulated entities, the Group is subject to a number of banking, consumer protection, competition, antitrust and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries in which the Group operates. Basel II regulations, which has been translated into national law in accordance with (where applicable) the capital requirements Directives of the European Community numbered 2006/48/EC and 2006/49/EC (the "*CRD*"), has been in effect in Turkey for standardized approaches since July 1, 2012.

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 2013 and 2019. At this stage, the BRSA has announced its intention to adopt the Basel III requirements and a draft Regulation on the Equities of Banks as well as a draft regulation amending the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks were made available by the BRSA for public review on February 1, 2013. In addition to these implementations, 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 prepared and published on the BRSA's website. All such three draft regulations imply possible implementation of Basel III by the end of 2013. If these or any other capital adequacy-related revisions are adopted and the Bank 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.

As a result of the recent global financial crisis, policy makers in Turkey, the EU and other jurisdictions in which the Group operates have enacted or proposed various new laws and regulations, including those that limit the fees and commissions that banks may charge their customers, and there is still uncertainty as to what impact these changes may have. The BRSA or the government also might introduce certain new laws and regulations that impose limits with respect to fees and commissions charged to customers or, as to credit cards, the monthly minimum payments required to be paid by cardholders. For instance, the new Draft Law on the Protection of Consumers proposes significant new rules that would negatively affect Turkish banks, such as preventing banks from charging their customers an annual fee for accounts and credit cards.

In another example, effective as of June 18, 2011, the BRSA introduced new regulations to further affect loan growth through amending the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside published in the Official Gazette No. 26333 on November 1, 2006 and most recently amended on December 25, 2012 (the "*Regulation on Provisions and Classification of Loans and Receivables*"), which sets out the procedures for loan loss reserves for non-performing loans, and the Regulation on Measurement and Evaluation of Capital Adequacy of Banks, which sets out the procedures for capital adequacy requirements. Additionally, Turkish authorities have limited mortgage loan-to-value ratios to 75%, imposed a ceiling on mutual fund fees and decreased ceiling rates on credit cards. The Central Bank has also altered reserve requirements from time to time (see "Managements' Discussion and Analysis of Financial Condition and Results of Operations - Significant Factors Affecting the Group's Financial Condition and Results of Operations – Central Bank Reserve Requirements"). The Group might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking market (see "Turkish Banking Sector — Competition"). Accordingly, the Group might not be able to sustain its level of profitability in light of these regulatory changes and the Group's profitability is likely to be materially adversely impacted until such changes are incorporated into the Group's pricing.

Regulatory changes such as increased reserve requirements, the non-payment of interest on reserves and caps on interest rates charged on credit cards can have an adverse impact on the Bank's net interest income, thereby exerting downward pressure on the Bank's net interest margins. New laws and regulations may increase the Group's cost of doing business or limit its activities and might be adopted, enforced or interpreted in a manner that could have an adverse effect on the Group's business, financial condition, cash flows and/or results of operations. In addition, such measures could also limit or reduce growth of the Turkish economy and consequently the demand for the Group's products and services. Furthermore, as a consequence of certain of these changes, the Group was required to increase its capital reserves and may need to access more expensive sources of financing to meet its funding requirements. Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework could have an adverse effect on the Group's business, financial condition and/or results of operations. Finally, non-compliance with regulatory guidelines could expose the Group to potential liabilities and fines and damage its reputation.

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 and loans. 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 to TL 213 million, with fines generally based upon net income) in connection with this investigation. The Bank's management has indicated that it intends to explore options to object 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."

International Operations – Adverse changes in the regulatory and economic environment in jurisdictions in which the Group operates could have a material adverse effect on the Group

While a substantial majority of the Group's operations are in Turkey, it also maintains operations in countries such as Russia, Germany, the United Kingdom, Bahrain, Iraq, Georgia and the Turkish Republic of Northern Cyprus. The Group's operations outside of Turkey are subject to differing regulatory environments and domestic economic conditions and require the Group to engage in transactions in relevant local currencies such as the Euro, the Russian Ruble and the British Pound Sterling. Adverse changes in the regulatory environments, economic conditions, relevant exchange rates and/or other circumstances in the jurisdictions in which the Group operates could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Participations – The Bank is exposed to risks related to its equity investments

The Bank maintains equity participations in companies in various sectors, including financial services, glass and telecommunications. While such investments have historically had an aggregate positive impact on the Group's financial condition: (a) any particular existing or future investment, or such investments in the aggregate, and/or (b) the currently contemplated divestitures, might result in losses to the Group, which could be material. In addition, the level of dividends received by the Bank from such investments may vary from year to year, potentially significantly, and affect the Bank's net income accordingly.

Related Party Transactions – The Bank is exposed to risks related to doing business with related parties

The Turkish Banking Law No. 5411 of 2005, as amended (the "*Banking Law*"), places limits on a Turkish bank's exposure to related parties. The Group enters into banking transactions with its affiliates, including non-financial entities in which it holds a participation, within the framework of the Banking Law and tax regulations. Although the Bank's management believes that these transactions are on an arm's length basis and in line with the Banking Law and tax regulations, the interests of the Group might not at all times be aligned with the interests of the Noteholders. For further information on the Group's transactions with its affiliates, see "Business of the Group – Subsidiaries and Affiliates."

Measures to Prevent Money Laundering and/or Terrorist Financing – Third parties might use the Group as a conduit for illegal or terrorist activities without the Group's knowledge

Although the Group has adopted various policies and procedures, and has put in place systems, including internal control, "know your customer" rules and transaction monitoring, aimed at preventing money laundering and terrorist financing, and seeks to adhere to all requirements under Turkish legislation and international standards aimed at preventing it being used as a vehicle for money laundering or terrorist financing, these policies and procedures might not be completely effective. Similar to other financial institutions, if the Group fails to comply with timely reporting requirements or other anti-money laundering or anti-terrorist financing regulations and/or is associated with money laundering and/or terrorist financing, its business, results of operations, financial condition and/or prospects could be adversely affected. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions and could severely harm the Group's reputation.

Risk Management Strategies – The Group's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks

The Group's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks. The Group's risk management and internal control policies and procedures might not adequately control, or protect the Group against, all credit, liquidity, market and other risks. In addition, certain risks may not be accurately quantified by the

Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data, which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical measures indicate.

Any material deficiency in the Group's risk management or other internal control policies or procedures might expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

Corporate Governance – Turkish corporate governance standards are in transition

On December 30, 2011, the CMB issued the Communiqué on the Determination and Implementation of Corporate Governance Principles Series IV, No. 56 (as amended, the "*Corporate Governance Communiqué*") providing certain mandatory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the İSE. The CMB has amended the Corporate Governance Communiqué as of February 22, 2013 to provide for specific exemptions and/or rules applicable to banks that are traded on the İSE. The intent of the Corporate Governance Communiqué is to enhance Turkish corporate governance standards in a number of ways, including requiring the establishment of a corporate governance committee. As the regulation (which entered into force on December 30, 2011) provided a one year exemption for listed banks, the Corporate Governance Communiqué became applicable to the Bank on December 30, 2012. Accordingly, the Bank established a Corporate Governance Committee at its board meeting on February 27, 2013, and is currently working toward taking the remaining necessary steps. 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 such obligations, then it may be subject to fines or other penalties.

The new Capital Markets Law requires the CMB to replace all secondary legislation within one year from its date of publication in the Official Gazette (*i.e.*, before December 30, 2013), including the Corporate Governance Communiqué.

Turkish Disclosure Standards – Turkish disclosure standards may differ in certain significant respects from those in certain other countries, leading to a lesser amount of information being available

Historically, the reporting, accounting and financial practices applied by Turkish banks differ in certain respects from those applicable to similar banks in the European Union or in other similar economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU or in other similar markets and any information that is published may only be presented in Turkish. The BRSA rules require Turkish banks to publish their financial reports on their websites and their annual financial reports in the official gazette in Turkey. Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise reviewed financial statements and interim management reports. In recent years, many Turkish banks (including the Bank) have also prepared financial statements using IFRS for certain reporting periods, with their financial statements being available first under BRSA Principles and only subsequently made available in IFRS statements. Most Turkish banks, including the Bank, have English versions of their financial statements available on their websites. In addition, banks that are listed on the İSE are also required to publish their financial statements on a quarterly basis and to disclose any significant development that is likely to have an impact on investors' decisions and/or that would be likely to have a significant effect on the price of the issuer's securities (both through the Turkish government's Public Disclosure Platform's website and the bank's own website). Investors might not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the United States, the United Kingdom and other more-developed markets.

The Group maintains its accounting systems and prepares its accounts and publishes quarterly financial results in accordance with the BRSA Principles. These accounts are not prepared on a basis consistent with IFRS as applied in preparing IFRS financial statements. The Bank only publishes annual (consolidated and unconsolidated) and half-yearly (consolidated only) financial statements that have been prepared in accordance with IFRS. There are differences between the BRSA Financial Statements and the IFRS Financial Statements. A summary of such differences as they apply to the Group has been included elsewhere in this Offering Circular, including the differences described above and other potential differences that may materially affect the Group's results of operations and financial position (see Appendix A - "Overview of Significant Differences between IFRS and BRSA Accounting Principles"). Potential investors should rely upon their own examination of the Group, the terms of the Notes and the financial and other information contained in this Offering Circular.

Audit Qualification – The audit reports in relation to the Group's financial statements in 2010, 2011 and 2012 included a qualification

The Group's audit reports based upon BRSA Principles for 2010, 2011 and 2012 include a qualification about a general provision allocated by the Group for the purpose of the conservatism principle applied by the Group considering the possible result of negative circumstances that may arise from any changes in economy or market conditions. The Group may have similar qualifications in the future. The auditor's statements on such qualification can be found in the fourth and fifth paragraphs of its letters attached to each of the 2010, 2011 and 2012 BRSA Financial Statements attached hereto (or incorporated by reference herein). The audit reports for the IFRS Financial Statements incorporated by reference herein also include a qualification about a general provision allocated by the Group for the same purposes.

The audit reports for the consolidated financial statements prepared in accordance with BRSA Principles for 2010, 2011 and 2012 include: (a) a qualification related to the general provision as of December 31, 2012 amounting to TL 1,000 million allocated by the Group's management, TL 950 million of which had been recognized as an expense in prior periods with the balance being charged to the income statement as an expense in the current period, (b) a qualification related to the general provision as of December 31, 2011 amounting to TL 950 million allocated by the Group's management, which had been recognized as an expense in the prior periods, and (c) a qualification related to the general provision as of December 31, 2010 amounting to TL 950 million allocated by the Group's management, which had been recognized as an expense in the prior periods.

With respect to the 2012 BRSA Financial Statements, if the Group had not established such provisions, then its net profit before taxation would have been higher by TL 50 million for 2012. In addition, such provisions of TL 1,000 million might be reversed or re-allocated by the Group in future periods, which may cause the Group's net profit to be higher in future periods than it otherwise would be in the absence of such reversal or re-allocation. These provisions do not impact the Group's level of tax or its capitalization ratios; *however*, according to BRSA rules, provisions for possible losses up to 25% of Tier I capital are included in the capital adequacy ratio calculation.

Operational Risk – The Group may be unable to monitor and prevent losses arising from fraud and/or operational errors or disruptions

Similar to other financial institutions, the Group is susceptible to, among other things, fraud by employees or outsiders, unauthorized transactions by employees, lack or loss of skilled information technology ("*IT*") employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). The Group is also subject to service interruptions from time to time for third party services such as telecommunications, and service interruptions due to natural disasters, which are beyond the Group's control. Such interruptions may result in interruption to services to the Group's branches and/or impact customer service. Given the Group's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect for any bank to detect quickly or at all. While the Group maintains a system of controls designed to monitor and control operational risk, the Group might suffer losses from such risks. Losses from the failure of the Group's system of internal controls to discover and rectify such matters could have a material adverse effect on the Group's business, financial condition and/or results of operations. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

Dependence upon Information Technology Systems – The Group's operations could be adversely affected by interruptions to, or the improper functioning of, its information technology systems

The Group's business services and functions rely upon the proper delivery of the IT services or applications to support their operations. These IT services or applications run on IT systems that have been developed either in-house or by third-party providers. While the Group has implemented and has future plans for various projects to ensure the proper functioning of its IT systems, any significant inadequacy, disruption, breach, failure or interruption of the Group's IT systems or any other systems in its branch network, clearing operations or elsewhere, or delays caused by the implementation of new technology, could result in unforeseen expense and difficulties in conducting the Group's operations, which may have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition, most of the Group's servers are maintained in the Group's main data center located in İşkule, Turkey, and all of the Group's IT applications depend upon the proper functioning of the İşkule data center. In the event of a disaster, natural or otherwise, whereby the Group cannot operate its technology infrastructure, the Group has a contract with IBM to provide a recovery solution for the Group's critical systems at a center located in İzmir, Turkey; *however*, the recovery systems at the İzmir disaster recovery site might not be adequate to ensure connectivity with the Bank's branches and protect the Group's IT systems and operations in such an event. For further information on the Group's IT system, see "Business of the Group – Information Technology."

The Group's expansion plans also depend to a large extent upon its ability to expand its IT capacity. Failure to put in place IT systems to support its expansion could materially adversely affect the Group's growth strategy.

Absence of Governmental Support – The Group's non-deposit obligations are not guaranteed by the Turkish or any other government and there may not be any governmental or other support in the event of illiquidity or insolvency

The non-deposit obligations of the Group are not guaranteed or otherwise supported by the Turkish or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of which sovereign support have been seen, and strained, in other countries during the recent global financial crisis), this may not be the case for Turkey in general or any particular bank in Turkey. Investors in the Notes should not place any reliance on the possibility of the Group being supported by any governmental or other entity at any time, including by providing liquidity or helping to maintain the Group's operations during periods of material market volatility. See "Turkish Regulatory Environment – The SDIF" for information on the limited government support available for the Bank's deposit obligations.

Leverage Risk – The Group may become over-leveraged

One of the principal causes of the recent global financial crisis was the excessive levels of debt prevalent in various sectors of the global economy, including the financial sectors of many countries. While there were many reasons for this over-leverage, important factors included the low cost of funding, the over-reliance by creditors (particularly investors in structured transactions) on the analysis provided by rating agencies (which reliance was often encouraged by regulatory and other requirements that permitted capital to be applied based upon the debtor's rating) and the failure of risk management systems to identify adequately the correlation of risks and price risk accordingly. If the Group becomes over-leveraged as a result of these or any other reasons, then it may be unable to satisfy its obligations in times of financial stress, and such failure could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Personnel – The Group's continued success depends upon retaining key members of its senior management and its ability to recruit, train and motivate qualified staff

The Group is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate, retail and other relationships of members of senior management are important to the conduct of the Group's business. In a rapidly emerging and developing market such as Turkey, demand for highly trained and skilled staff, particularly in the Group's İstanbul headquarters, is very high and requires the Group to continually re-assess its compensation and employment policies. If members of the Group's senior management were to leave, particularly if they were to join competitors, then those employees' relationships that have benefited the Group may not continue with the Group. In addition, the Group's continuing success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Group's failure to recruit and retain necessary personnel or manage its personnel successfully could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Labor Disputes – The Group's operations may be subject to work stoppages or other labor disputes

As of December 31, 2012, the Bank had 24,411 employees. Almost all of the Bank's Turkish employees are members of the Turkish union for the banking and insurance industries, Banka ve Sigorta İşçileri Sendikası ("*Basisen*"). Basisen and the Bank are parties to a collective bargaining agreement that terminates in 2014. While the Bank's management believes that the Bank's relationships with its employees and Basisen are satisfactory, the existing collective bargaining agreement with Basisen might not be extended or renewed at current terms or the Group might not be able to renegotiate this collective bargaining agreement in a favorable and timely manner. In addition, although Turkish Law No. 6356 renders strikes and lockouts in the banking sector illegal and the Bank has not experienced any work stoppages or labor disputes in recent years, the regulation in force might change or work stoppages or labor disputes might occur in the future. If a material disagreement between the Bank and Basisen arises, or if employees engage in a prolonged work stoppage or strike, the Group's business, financial condition and/or results of operations could be negatively affected.

Turkish Banking System – The Turkish banking sector has exhibited significant volatility in the past and may exhibit significant volatility in the future

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (*i.e.,* non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks. Notwithstanding such changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system.

Dependence upon Banking and Other Licenses – Group members may be unable to maintain or secure the necessary licenses for carrying on their business

All banks established in Turkey require licensing by the BRSA. Each of the Bank and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable license for all of its banking and other operations. The Bank believes that it and each of its subsidiaries is currently in compliance with its existing material license and reporting obligations; nevertheless, if it is incorrect, or if any member of the Group were to suffer a future loss of a license, breach the terms of a license or fail to obtain any further required licenses, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Large Shareholders – The Bank is largely controlled by the İşbank Personnel Supplementary Pension Fund and the CHP, whose interests may not be aligned with the interests of the investors in the Notes

The Bank is largely controlled by the İşbank Personnel Supplementary Pension Fund and the CHP, which together held 68.82% of the Bank's outstanding share capital according to Central Registry Agency data as of December 31, 2012. As a result, these two shareholders have the power to elect a majority of the Bank's Board of Directors and to determine the outcome of almost all matters to be decided by a vote of the Bank's shareholders. See "Ownership." The interests of these large shareholders may not coincide with those of the investor in the Notes and they may cause the Bank to take or refrain from taking certain actions (*e.g.*, declaring dividends or entering into corporate transactions) that may adversely affect the Noteholders' investment in the Notes.

Risks Related to Turkey

Emerging Market Risks – The Group is subject to risks associated with doing business in emerging markets

The Group operates predominantly in Turkey and derives the majority of its revenue from its operations in Turkey. Moreover, to a large extent, its international operations provide services to Turkish individuals and Turkish companies operating internationally. As a result, the Group's business, results of operations, financial condition and prospects are significantly affected by the overall level of economic activity and political stability in Turkey. Despite Turkey undergoing significant political and economic reform in recent years that has increased stability and led to economic growth, Turkey is still considered by international investors to be an emerging market. Emerging markets are subject to greater risks than more developed markets and financial turmoil in any emerging market (or global markets generally) could disproportionately disrupt business in such markets as well as causing the price of the Notes to suffer. Moreover, financial turmoil in any single emerging market country tends to adversely affect prices of equity and debt securities in all emerging market countries as investors move their money to more stable, developed markets.

Turkey's economy remains vulnerable to external shocks, including the current global economic crisis. Although Turkey's growth dynamics are to some extent dependent upon domestic demand, Turkey is also dependent upon trade with Europe and a significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. A decline in demand for imports from the EU could have a material adverse effect on Turkish exports and Turkey's economic growth.

Investors' interest in Turkey might be negatively affected by events in other emerging markets or the global economy in general (for example, the recent global market crisis or the fiscal crisis in Greece). An increase in the perceived risks associated with investing in emerging economies could adversely affect the Turkish economy, and the Notes may be subject to fluctuations in price that may not necessarily be related to economic conditions in Turkey or the financial performance of the Group. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Turkey could be adversely affected by negative economic or financial developments in other emerging market countries. While the impact of the recent global financial crisis on Turkey has been relatively limited, Turkey has been adversely affected by such contagion effects on a number of occasions in the past, including following the financial crises in 1994 and 2000 to 2001. Similar developments can be expected to affect the Turkish economy in the future, which could, in turn, have an adverse impact on prices of obligations of Turkish capital markets issuances.

Political Developments – Political developments in Turkey may negatively affect the Group's business, financial condition and/or results of operations

Negative changes in the government and political environment, including the failure of the government to devise or implement appropriate economic programs, may adversely affect the stability of the Turkish economy and, in turn, the Group's business, financial condition and/or results of operations. Turkey has been a parliamentary democracy since 1923. Unstable coalition governments have been common, and in the 90 years since its formation, Turkey has had approximately 61 governments, with political disagreements frequently resulting in early elections. Furthermore, the Turkish military establishment has historically played a significant role in Turkish government and politics, intervening in the political process. While in recent years the Turkish military has shown limited intervention, today the role of Turkish military has been diminished compared to its political and social roles in the past.

While in recent years Turkey has undergone significant political and economic reform, which has sought to increase domestic political and economic stability and contributed to economic growth, Turkey is nonetheless considered by international investors to be an emerging market. In general, investing in the securities of issuers with substantial operations in emerging markets, like Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the European Union or other similar jurisdictions. Accordingly, investors' perception of Turkey as an emerging economy and actual or perceived political instability could have a material adverse effect on the Group's business, financial condition and/or results of operations and on the value of the Notes.

Turkish Economy – The Turkish economy is undergoing continued transformation to a free market system and is subject to significant macro-economic risks

As of December 31, 2012, approximately 92% of the Group's total assets were in Turkey and the majority of the Group's operations are in Turkey. As a result, the Group's business and results of operations are affected by general economic conditions in Turkey.

Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded positively to this transformation, it has experienced severe macro-economic imbalances, including significant current account deficits, and a considerable level of unemployment. While the Turkish economy has been significantly stabilized due, in part, to support from the International Monetary Fund (the "*IMF*"), Turkey may experience a further significant economic crisis in the future, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkey's GDP grew by 8.4% in 2005, 6.9% in 2006, 4.7% in 2007 and 0.7% in 2008. Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and 4.8% in 2009, before growing in 2010 (9.2%), 2011 (8.8%) and 2012 (2.2%). The ratio of net public debt to GDP decreased from 41.7% in 2005 to 17.0% in 2012. The last stand-by arrangement with the IMF was completed in May 2008. In October 2011, the government announced a three year medium-term economic program from 2013 to 2015. Under this program, the government has set growth targets of 4.0% for 2013 and 5% for 2014, as well as a gradual decrease in the net public debt to GDP ratio, according to the Ministry of Development. Should Turkey's economy continue to experience macro-economic imbalances, it could have a material adverse impact on the Group's business, financial condition and/or results of operations. For more details on recent developments in Turkey's economy, see "-Global Financial Crisis and Eurozone Crisis" above.

Terrorism and Conflicts – Turkey is subject to internal and external unrest and the threat of terrorism

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. 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. 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.

Regional Risks – Recent developments in the Middle East and North Africa may create regional volatility affecting the Turkish economy

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Political uncertainty within neighboring countries, such as Armenia, Georgia, Iran, Iraq and Syria, has been one of the risks associated with investment in Turkish securities. Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Libya, Tunisia, Egypt, Syria, Jordan, Bahrain and Yemen. Unrest in those countries may affect Turkey's relationships with its neighbors, have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. For example, heightened tensions between Turkey and Iran could impact the Turkish economy, lead to higher global energy prices and further negatively affect Turkey's current account deficit. Such impacts could occur (*inter alia*) through a lower flow of foreign direct investment into Turkey, capital outflows and/or increased volatility in the Turkish financial markets. In addition, certain sectors of the Turkish economy (such as construction, iron and steel) have operations in (or are otherwise active in) the Middle East and North Africa and may experience negative effects of the upheavals in the region. Any of such circumstances could adversely affect the Group's business, financial condition and/or results of operations.

Combating the Financing of Terrorism – The Financial Action Task Force may call upon its members to take measures against Turkey

Although Turkey has a high-level political commitment to work with the Financial Action Task Force (the "*FATF*") to seek to address Turkey's deficiencies in combating the financing of terrorism, the FATF requested that Turkey make progress in implementing its action plan. In particular, Turkey: (a) is required to make sufficient progress in adequately criminalizing terrorist financing and (b) was required, before February 23, 2013, to implement an adequate legal framework for identifying and freezing terrorist assets. If sufficient progress is not realized, the FATF has advised that it might call upon its members to apply countermeasures proportionate to the risks associated with Turkey (for example, the FATF may require banks in member states to apply extra procedures on any transactions with banks in Turkey).

In an effort to ensure compliance with the FATF requirements, new measures against financing terrorist activities in Turkey were introduced with the entry into force of the Law on Combating the Financing of Terrorism on February 16, 2013 (the "*CFT Law*"). In order to address shortcomings identified by the FATF and with a view to achieving compatibility with international standards as outlined under the International Convention for the Suppression of the Financing of Terrorism and annexes thereto, the CFT Law introduces an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The CFT Law also presents new principles and mechanisms for identifying and freezing terrorist assets and facilitates the implementation of United Nations Security Council decisions, in particular those relating to entities and/or individuals placed on sanction lists. On February 22, 2013, due to the implementation of the CFT Law, the FATF decided not to recommend the application of the above-mentioned countermeasures; *however*, the FATF may further request that Turkey adopt additional measures and procedures to ensure full compliance with FATF requirements. In the event that the FATF finds the new measures introduced with the CFT Law to be insufficient, then FATF measures as described above may be imposed on Turkey and this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Earthquakes – Turkey is located in a high-risk earthquake zone

Almost all of Turkey is classified by seismologists as being in a high-risk earthquake zone. On August 17, 1999, an earthquake measuring 7.4 on the Richter scale struck the area surrounding Izmit. On November 12, 1999, another earthquake occurred in the city of Düzce, between Ankara and İstanbul, resulting in significant financial costs to Turkey. More recently, on March 8, 2010, an earthquake measuring 6.0 on the Richter scale struck the eastern province of Elazığ, and in October 2011 an earthquake measuring 7.2 on the Richter scale struck the eastern part of the country causing significant property damage and loss of life. A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes). A number of the Group's properties and business operations in Turkey are located in earthquake risk zones.

The Group maintains earthquake insurance but does not have, in addition, the wider business interruption insurance or insurance for loss of profits, as such insurance is not generally available in Turkey. The occurrence of a severe earthquake could adversely affect one or more of the Group's facilities, therefore causing an interruption in, and an adverse effect on, the Group's business. In addition, a severe earthquake could harm the Turkish economy in general, which could adversely affect the Group's business, financial condition and/or results of operations.

Inflation Risk – Turkey's economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 69.7% in the early 2000s; *however*, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5% at the end of 2009, the lowest level in many years. Consumer price inflation was 6.4%, 10.4% and 6.2% in 2010, 2011 and 2012, respectively. Producer price inflation was 8.9%, 13.3% and 2.5% in 2010, 2011 and 2012, respectively. Significant global price increases in major commodities such as oil, cotton, corn and wheat are likely to increase supply side inflation pressures throughout the world. These inflationary pressures may result in Turkish inflation exceeding the Central Bank's inflation target, which may cause the Central Bank to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

High Current Account Deficit – Turkey's higher than anticipated current account deficit may result in government policies that negatively affect the Group's business

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$47.5 billion in 2012, according to the Central Bank. The decline in the growth of the current account deficit in 2012 was largely the result of coordinated measures initiated by the Central Bank, BRSA and the Turkish Ministry of Finance to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures has been to slow growth in the current account deficit by controlling the rate of loan growth. Unless there is a decline in credit growth, government authorities have stated that bank-specific actions might be implemented. Although Turkey's economic growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. While diversification in the export markets towards near and Middle East countries limited the negative impacts of external demand-related risks on domestic economic activity, the EU remains Turkey's largest export market. A decline in demand for imports from the EU could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit.

In early 2011, the Turkish government declared its intention to take additional measures to decrease the current account deficit, and in this regard it identified the high growth rate of loans as one of the target areas. On June 18, 2011, the BRSA introduced new regulations to further control loan growth that will, among other things: (a) increase Turkish banks' general provision requirements in the event such banks': (i) total consumer loans to total loan amount exceed 20% or (ii) non-performing consumer loans (excluding auto and housing loans) to total consumer loans (excluding auto and housing loans) exceed 8%, and (b) increase the risk-weighting for certain consumer loans in calculating capital adequacy ratios. See "Turkish Regulatory Environment." Further regulations may be introduced by the BRSA or the Central Bank with respect to loan growth ratios that could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The decline in the current account deficit experienced in 2012 is expected by the Bank's management to come to an end by early 2013 and be followed by a period of gradual increases. If the current account deficit widens more than anticipated, financial stability in Turkey might deteriorate. Financing the high current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest of foreign investors in Turkey. Any such difficulties may lead the Turkish government to seek to raise additional revenue to finance the current account deficit or to seek to stabilize the Turkish financial system, and any such measures might adversely affect the Group's business, financial condition and/or results of operations.

Exchange Rates – The value of the Turkish Lira fluctuates against other currencies

Exchange rates for the Turkish Lira have historically been, and continue to be, highly volatile. Since February 2001 the Central Bank has applied a floating exchange rate policy that has arguably resulted in increased volatility in the value of the Turkish Lira. In 2012, the Turkish PPI increased by 2.5% while during the same period the Turkish Lira appreciated (in nominal terms) against the US Dollar by 6.5%, according to the Central Bank. According to the Central Bank, the CPI-based real effective exchange rate increased from 109.52 as of December 31, 2011 to 118.17 as of December 31, 2012, indicating a 7.9% real appreciation.

Any significant depreciation of the Turkish Lira against the U.S. Dollar or other major currencies may adversely affect the financial condition of Turkey as a whole and may have a negative effect on the Group's business, financial condition and/or results of operations.

Government Default – The Group has a significant portion of its assets invested in Turkish government debt, making it highly dependent upon the continued credit quality of, and payment by, the Turkish government of its debts

The Group has a significant exposure to Turkish governmental and state-controlled entities. 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 and 1.7% of the Group's total assets were used to make loans to Turkish governmental and state-controlled entities. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by Turkish governmental entities in making payments on their debt or the possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government debt held by the Group and the Turkish banking system generally and may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks Related to the Notes

Exchange Rate Risks and Exchange Controls – Non-US Dollar investors will be subject to exchange rate risk and the Bank's ability to make payments on the Notes in US Dollars may be affected by exchange controls

The Bank will pay principal and interest on the Notes in US Dollars, which presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency (the "*Investor's Currency*") other than US Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US Dollar or revaluation of the Investor's Currency) and the risk that the Turkish government may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US Dollar would decrease: (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the interest and principal payable on the Notes and (c) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate and/or the ability to convert and/or transfer currency. As a result, any investor with an Investor's Currency other than the US Dollar may receive less interest or principal than expected, or no interest or principal.

Unsecured Obligations – The Notes will constitute unsecured obligations of the Bank

The Bank's obligations under the Notes constitute (or, as applicable, will constitute) unsecured obligations of the Bank. The ability of the Bank to pay such obligations will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which could be affected by (*inter alia*) the circumstances described in these "Risk Factors."

Effective Subordination – Claims of Noteholders under the Notes will be effectively subordinated to those of certain other creditors

While the Notes rank (or, as applicable, will rank) equally with all of the Bank's other unsecured and unsubordinated indebtedness, the Notes will be effectively subordinated to the Bank's secured indebtedness and securitizations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law (including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by law to be maintained by the Bank with the Central Bank, claims of individual depositors with the Bank to the extent of any excess that such depositors are not fully able to recover from the Savings Deposit Insurance Fund (the "*SDIF*"), claims that the SDIF may have against the Bank and claims that the Central Bank may have against the Bank with respect to certain loans made by it to the Bank).

Redemption for Taxation Reasons – The Bank will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay withholding taxes in excess of current levels, if any, applicable to interest or other payments on the Notes

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under the decrees of the Council of Ministers of Turkey (decrees No. 2011/1854 and 2010/1182, collectively the "*Tax Decrees*"). Pursuant to such decrees, with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0%. Accordingly, the initial withholding tax rate on interest on the New Notes will be 0%. The Bank will have the right to redeem the Notes at their principal amount and accrued but unpaid interest prior to the Maturity Date of the Notes if: (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.2) 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 April 8, 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 applicable prevailing rates on April 8, 2013, and (b) such requirement cannot be avoided by the Bank taking reasonable measures available to it. Upon such a redemption, the investors in the Notes might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes.

This redemption feature is also likely to limit the market value of the Notes as the market value may not rise substantially above the price at which the Notes can be redeemed.

No Public Market – There is no public trading market for the New Notes and an active trading market may not develop or be sustained in the future

While the Original Notes have been admitted to trading on the Main Securities Market and there has been some trading activity with respect to the Original Notes since the Original Issue Date, there is no active trading market for investments in the Notes. If investments in the New Notes are traded after their initial issuance, then they might trade at a discount to their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Bank's financial condition. Although applications have been made for the New Notes to be listed on the Official List and to be admitted to trading on the Main Securities Market, such applications might not be accepted and/or an active trading market may not develop or, if developed, it may not be sustained. If an active trading market for investments in the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the New Notes may be adversely affected.

Volatile Price – The market price of the Notes may be subject to a high degree of volatility

The market price of investments in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Bank's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale by the Group of other debt securities, as well as other factors, including the trading market for notes issued by the Republic of Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of investments in the Notes without regard to the Bank's financial condition or results of operations.

The market price of investments in the Notes also will be influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Bank's, which could adversely affect the market price of investments in the Notes.

Credit Ratings – Credit ratings may not reflect all risks

In addition to the ratings on the Notes provided by Fitch and Moody's, and the ratings on the Bank by Fitch, Moody's and Standard & Poor's, one or more other independent credit rating agencies may assign credit ratings to the Notes and/or the Bank. The ratings might not reflect the potential impact of all risks related to the structure, market and other factors that may affect the value of the Notes. Credit ratings assigned to the Notes and/or the Bank do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to adjustment, revision, suspension or withdrawal at any time by the assigning rating organization. Similar ratings on different types of notes do not necessarily mean the same thing. The initial ratings by Fitch and Moody's will not address the likelihood that the principal on the Notes will be prepaid or paid on the scheduled Maturity Date. Such ratings also will not address the marketability of investments in the Notes or any market price. Any adverse change in (or withdrawal of) the Bank's credit ratings may affect the market's perception of the Bank's creditworthiness and may therefore have an adverse effect on the interest rate and/or tenor at which the Bank can obtain funding. Any change in the credit ratings of the Notes or the Bank could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each rating should be analyzed independently from any other rating.

Majority Decisions – Decisions of the holders of the required percentage of the Notes bind all Noteholders

The conditions of the Notes contain (or, in the case of the New Notes, will contain) provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions will permit Noteholders holding defined percentages of the Notes to bind all Noteholders, including Noteholders who did not vote at the relevant meeting and

Noteholders who voted in a manner contrary to the majority. As a result, decisions might be taken by the Noteholders as a whole that are contrary to the preferences of any particular Noteholder.

Transfer Restrictions – Transfer of investments in the New Notes will be subject to certain restrictions

Other than the CMB's approvals for the issuance and sale of the Notes and the related issuance certificate, the Notes have not been and are not expected to be approved by, or registered with, any external authorities, including: (a) under the Securities Act or any applicable state's or other jurisdiction's securities laws or (b) with the SEC or any other applicable state's or other jurisdiction's regulatory authorities. The offering of the New Notes (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the New Notes will be subject to certain transfer restrictions. Each investor is advised to consult legal counsel in connection with any such reoffer, resale, pledge or other transfer. See "Transfer Restrictions."

Because transfers of interests in the Global Certificates can be effected only through book entries at DTC, Clearstream, Luxembourg and/or Euroclear (as applicable) for the accounts of their respective participants, the liquidity of any secondary market for investments in the Global Certificates may be reduced to the extent that some investors are unwilling to invest in notes held in book-entry form in the name of a participant in Clearstream, Luxembourg, Euroclear or DTC, as applicable. The ability to pledge interests in the Notes may be limited due to the lack of a physical certificate. In the event of the insolvency of Clearstream, Luxembourg, Euroclear, DTC or any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

Further Issues – The Bank may issue further notes, which may dilute the Noteholders' share of the total issuance

As permitted by Condition 15, the Bank may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions that are the same as those of the Notes, or the same except for the amount of the first payment of interest, which new notes may be consolidated and form a single series with the outstanding Notes; *provided* that such further notes will be required to be fungible for US federal income tax purposes (*i.e.*, their issuance is a "qualified reopening" under Treasury Regulation § 1.1275-2(k)). To the extent that the Bank issues such further notes, the existing Noteholders' share of the total issuance (*e.g.*, for voting) will be diluted.

Enforcement of Judgments – It may not be possible for investors to enforce foreign judgments against the Bank or its management

The Bank is a public joint stock company under the Turkish Commercial Code (No. 6102). All of the directors and substantially all of the officers of the Bank reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country other than the Republic of Turkey may not be enforced in Turkish courts in certain circumstances. There is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments; *however*, Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom with respect to the enforcement of judgments of their respective courts. However, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts. For further information, see "Enforcement of Judgments and Service of Process."

EU Savings Directive – The Notes may be subject to withholding taxes in circumstances where the Bank is not obliged to make gross up payments, which would result in investors receiving less interest than expected and could materially adversely affect their return on the Notes

Under EC Council Directive 2003/48/EC on the Taxation of Savings Income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state, except that Austria and Luxembourg are required to impose a withholding system in relation to such payments for a transitional period (unless during such period they elect otherwise), the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories have adopted similar measures (for example, a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to such Directive, which may, if implemented, amend or broaden the scope of the requirements described herein.

If a payment were to be made or collected through a member state that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, then neither the Bank, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Bank will be required to maintain a paying agent that is not located in a member state of the European Union that will oblige such paying agent to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Reliance upon Clearing System Procedures – Investors in the Notes will be subject to the rules of the applicable clearing system and their ability to exercise rights relating to the Notes directly may be limited

The Regulation S Notes will be represented on issue by a Regulation S Certificate that will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Agency Agreement (see "The Global Certificates"), investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective accountholders will maintain records of the beneficial interests in the Regulation S Certificate. While the Regulation S Notes are represented by the Regulation S Certificate, investors will be able to trade their beneficial interests therein only through Euroclear and Clearstream, Luxembourg and their respective accountholders.

The Rule 144A Notes will be represented on issue by the Rule 144A Certificate(s) that will be deposited with a nominee for DTC. Except in the circumstances described in the Agency Agreement (see "The Global Certificates"), investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Rule 144A Certificate(s). While the Rule 144A Notes are represented by the Rule 144A Certificate(s), investors will be able to trade their beneficial interests therein only through DTC.

While the Notes are represented by the Global Certificates, the Issuer will discharge its payment obligation thereunder by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely upon the procedures of the relevant clearing system and its participants to receive payments under their interests in the related Notes. The Bank will have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

OFAC – US Persons investing in the Notes might have indirect contact with countries sanctioned by the Office of Foreign Assets Control of the US Department of Treasury as a result of the Bank's investments in and business with countries on sanctions lists

The Office of Foreign Assets Control of the US Department of Treasury ("*OFAC*") administers regulations that restrict the ability of US persons to invest in, or otherwise engage in business with, certain countries, including Iran and Sudan, and specially designated nationals (together, "*Sanction Targets*"). As the Bank is not a Sanction Target, these rules do not prohibit US persons from investing in, or otherwise engaging in business with, the Bank; *however*, to the extent that the Bank invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, US persons investing in the Bank may incur the risk of indirect contact with Sanction Targets. The Bank's current policy is not to engage in any business with Sanction Targets. Non-US persons from jurisdictions with similar sanctions may similarly incur the risk of indirect contacts with Sanction Targets. See "Risk Management – Anti-Money Laundering and Combating the Financing of Terrorism Policies – Monitoring Suspicious Transactions" and "Business of the Group – Compliance with OFAC Rules."

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company under the Turkish Commercial Code (No. 6102). Substantially all of the assets of the Bank are located in Turkey. As a result, it may not be possible for investors to effect service of process upon the Bank outside Turkey or to enforce against it in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50-59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

(a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments,

(b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or

(c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and either the United States or the United Kingdom providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between Turkey and the United States. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom; *however*, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon the US federal or any other non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

(a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed,

(b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey,

(c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey,

(d) the judgment is not of a civil nature,

(e) the judgment is clearly against public policy rules of Turkey,

(f) the judgment is not final and binding with no further recourse for appeal or similar revisions process under the laws of the country where the judgment has been rendered, or

(g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

In connection with the issuance of the Notes, process may be served on the Bank at its London Branch (8 Princes Street, London, EC2R 8HL) in connection with any proceedings in England.

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of the New Notes, including underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The expenses in connection with the admission of the New Notes to the Official List and to trading on the Main Securities Market are expected to amount to approximately €2,690. The Bank will use the net proceeds from the issuance of the New Notes for general corporate purposes, including paying the other expenses relating to the issuance of the New Notes.

EXCHANGE RATES

The following table sets forth, for the periods indicated, information concerning the period average and period-end buying rates for US Dollars for the periods indicated. The rates set forth below are provided solely for convenience and were not used by the Bank in the preparation of the financial statements included elsewhere in this Offering Circular nor in the presentation of any of the other figures in this Offering Circular. No representation is made that Turkish Lira could have been, or could be, converted into US Dollars at that rate or at any other rate.

Year[(1)]	Period Average TL per US$	Period End TL per US$[(2)]
March 2013	1.8072	1.8087
February 2013	1.7699	1.7955
January 2013	1.7638	1.7548
2012	1.7922	1.7776
2011	1.6710	1.8889
2010	1.4984	1.5376
2009	1.5468	1.4873
2008	1.2979	1.5218

Source: Central Bank

(1) For each of the full years, this represents the yearly averages of the monthly averages of the TL/US$ exchange rates determined by the Central Bank for the relevant period, which averages were computed by calculating the average of the daily TL/US$ exchange rates on the business days of each month during the relevant period. For the months of 2013, this represents the monthly averages of the TL/US$ exchange rates determined by the Central Bank for such month, which monthly averages were computed in the same manner described above.

(2) Represents the TL/US$ exchange rates for the purchase of US Dollars determined by the Central Bank on the last working day of the relevant period, effective for the following working day.

As of April 18, 2013 at 8:00 p.m. Turkish time, the Bloomberg Generic FX page was showing the exchange rate as US$1.00 = TL 1.7959. The Turkish Lira may depreciate or appreciate significantly in the future.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables set forth, for the periods indicated, selected historical consolidated financial and other information about the Group. The following selected consolidated financial and other information should be read in conjunction with, and is qualified in its entirety by reference to, the BRSA Financial Statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other relevant information included elsewhere in this Offering Circular. The BRSA Financial Statements are presented in Turkish Lira and have been prepared in accordance with BRSA Principles described in more detail in the accounting principles included in the notes to the BRSA Financial Statements included in this Offering Circular and in "Presentation of Financial and Other Information."

The BRSA Financial Statements as of and for the years ended December 31, 2010, 2011 and 2012 have been audited by KPMG.

	As of December 31,		
	2010	**2011**	**2012**
Balance Sheet Data:		*(TL thousands)*	
Cash and balances with the Central Bank	8,595,906	13,886,577	16,111,127
Financial assets at fair value through profit or loss (net)	1,837,110	2,418,121	2,202,641
Banks	6,375,798	4,747,906	4,551,893
Money Market Placements	10,194	171,613	81,675
Financial Assets Available For Sale (Net)	36,181,207	33,557,066	32,173,825
Loans	69,077,804	99,028,122	115,218,483
Factoring Receivables	331,320	404,653	1,014,940
Held To Maturity Investments (Net)	14,070,629	13,707,432	11,048,779
Investments In Associates (Net)	794,592	776,951	778,281
Investments In Subsidiaries (Net)	2,746,829	3,202,087	3,620,153
Lease Receivables	963,265	1,376,390	1,384,455
Tangible Assets (Net)	1,999,633	2,166,852	2,139,784
Intangible Assets (Net)	56,114	120,352	189,627
Investment Property (Net)	1,242,157	1,037,294	1,108,704
Tax Assets	836,057	655,919	738,397
Assets Held For Sale And Discontinued Operations (Net)	54,233	60,256	73,295
Other assets	5,637,888	6,618,239	8,638,680
Total Assets	**150,810,736**	**183,935,830**	**201,074,739**
Deposits from the Bank's Risk Group	2,287,626	2,133,162	2,291,383
Other deposits	86,188,993	96,698,834	103,719,477
Derivative Financial Liabilities Held for Trading	731,310	916,086	760,440
Funds Borrowed	14,282,865	18,779,275	19,072,787
Money Market Funds	12,969,586	22,472,982	17,030,831
Marketable Securities Issued (Net)	195,954	3,765,876	6,476,363
Funds	—	7,894	9,745
Sundry creditors	5,946,252	7,161,721	9,184,478
Other liabilities	1,181,867	2,442,482	4,884,994
Provisions	7,560,506	8,713,868	10,260,057
Tax liabilities	401,175	438,081	631,853
Subordinated Loans	77,947	95,000	1,893,576
Total Liabilities	**131,824,081**	**163,625,261**	**176,215,984**
Paid-in Capital	4,500,000	4,500,000	4,500,000
Share Premium	33,937	33,937	33,940
Marketable Securities Revaluation Reserve	1,241,479	1,159,906	2,613,053
Bonus Shares obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	(1,179)	(1,179)	(1,179)
Other Capital Reserves	1,615,938	1,615,938	1,615,938
Profit Reserves	5,918,120	8,352,002	10,402,674
Profit or Loss	3,028,597	2,179,515	2,802,512
Minority Shares	2,649,763	2,470,450	2,891,817
Total Equity	**18,986,655**	**20,310,569**	**24,858,755**
Total Liabilities and Equity	**150,810,736**	**183,935,830**	**201,074,739**

Income Statement Data:	2010	2011	2012
		(TL thousands)	
Net Interest Income	5,410,570	5,416,996	6,842,265
Interest Income	*10,850,750*	*12,081,352*	*14,676,856*
Interest Expense	*(5,440,180)*	*(6,664,356)*	*(7,834,591)*
Net Fees and Commissions Income	997,891	1,102,726	1,258,319
Dividend Income	45,785	171,477	205,032
Trading Income (net)	292,912	446,913	871,070
Other Operating Income	4,026,561	4,060,685	4,559,561
Total Operating Income	**10,773,719**	**11,198,797**	**13,736,247**
Provision for Loans and Other Receivables	(1,185,911)	(1,494,935)	(1,291,545)
Other Operating Expenses	(5,671,987)	(6,615,795)	(7,783,373)
Net Operating Income	**3,915,821**	**3,088,067**	**4,661,329**
Profit/Loss from Associates Accounted for using the Equity Method	4,806	9,842	12,317
Profit/Loss on Continuing Operations before Tax	**3,920,627**	**3,097,909**	**4,673,646**
Tax Provision for Continuing Operations	(688,933)	(708,541)	(958,912)
Net Period Profit/Loss	**3,231,694**	**2,389,368**	**3,714,734**

	As of (or for the year ended) December 31,		
Key Ratios:	**2010**	**2011**	**2012**
Return on average shareholders' equity excluding minority interest[1] [9]	20.2%	13.2%	17.5%
Net interest margin[1][2]	4.3%	3.7%	4.2%
Cost-to-income ratio[3]	42.0%	48.5%	47.1%
Free capital ratio[4]	8.0%	7.0%	8.2%
NPL ratio	3.4%	2.1%	1.8%
Cost to average total assets[1][5]	2.7%	2.6%	2.8%
Capital Adequacy:			
Tier I ratio[6]	16.3%	13.2%	13.5%
Capital adequacy ratio[6]	17.6%	14.1%	16.3%
Other Information:			
Average employees during the period	23,443	24,622	24,622
Branches at period end	1,142	1,201	1,250
Inflation rate/GDP %:			
Producer price index inflation[7]	8.9%	13.3%	2.5%
Gross Domestic Product (% change)[8]	9.2%	8.8%	2.2%

(1) Calculated on quarterly averages.

(2) 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.

(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 excluding fixed assets, investment property, investments in equity participations and net NPLs, *divided by* total assets.

(5) Total operating expense does not include insurance expense.

(6) Calculated in accordance with BRSA regulations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy."

(7) Base year –2003.

(8) As published by TurkStat.

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

CAPITALIZATION OF THE GROUP

The following table sets forth the total capitalization of the Group as of December 31, 2010, 2011 and 2012. The following financial information has been extracted from the Group's BRSA Financial Statements without material adjustment. This table should be read in conjunction with the BRSA Financial Statements (including the notes thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Offering Circular.

	As of December 31,		
	2010	**2011**	**2012**
		(TL thousands)	
Capital stock; legal reserves, retained earnings and other equity accounts	13,397,736	15,568,580	18,554,916
Current period net income attributable to equity holders of the Bank	2,939,156	2,271,539	3,412,022
Total shareholders' equity	**16,336,892**	**17,840,119**	**21,966,938**
Long-term debt(1)	8,571,789	13,720,792	16,188,221
Total capitalization	**24,908,681**	**31,560,911**	**38,155,159**

(1) Long-term debt includes the funds borrowed (including subordinated loans and debt securities in issue) with an original maturity over one year.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments" for a description of material changes in the Group's debt after December 31, 2012.

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 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 attached hereto (or incorporated by reference herein) 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 this Offering Circular (including the section entitled "Presentation of Financial and Other Information"). The BRSA Financial Statements have been prepared in accordance with BRSA regulations as described in "Presentation of Financial and Other Information." For a discussion of the differences between the BRSA Financial Statements and IFRS Financial Statements, see Appendix A ("Overview of Significant Differences Between IFRS and BRSA Accounting Principles").

Certain information contained in the discussion and analysis set forth below and elsewhere in this Offering Circular 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 "Forward-Looking Statements."

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."

The discussion and analysis of the financial position and results of operations of the Group in this Offering Circular are based upon the BRSA Financial Statements. The Group prefers to present its financial condition and performance with the BRSA Financial Statements in order to focus on the banking and other financial operations in detail, since 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, the Bank's management believes that providing BRSA financial data in this Offering Circular 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 December 31, 2012, 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 December 31, 2012, the Bank had the largest nationwide branch and ATM network among private sector banks in Turkey, with 1,231 domestic branches, 19 international branches and over 4,850 domestic ATMs (sources: Banks Association of Turkey and Interbank Card Center).

As of December 31, 2012, the Group's capital adequacy ratio was 16.3% (13.5% 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 24,859 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 27.1% and its cash loan-to-deposit ratio was 108.2%. The Group's net operating income was TL 3,916 million in 2010, TL 3,088 million in 2011 and TL 4,661 million in 2012, while its net period profit from continuing operations was TL 3,232 million in 2010, TL 2,389 million in 2011 and TL 3,715 million in 2012.

As of December 31, 2012, 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, consumer loans, 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, which between 2000 and 2008 had grown with a compound annual growth rate of real GDP of 4.4% according to TurkStat. Real GDP growth slowed to 0.7% in 2008 and 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.

As of December 31, 2012, the Group had total assets of TL 201,075 million, an increase of 9.3% from TL 183,936 million as of December 31, 2011, itself a 22.0% increase from TL 150,811 million as of December 31, 2010. As of December 31, 2012, the Group had total deposits of TL 106,011 million, a 7.3% increase from TL 98,832 million as of December 31, 2011, itself 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 and TL 106,716 million as of December 31, 2012, an annual growth rate of 42.6% in 2011 and 16.5% in 2012. 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 the 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." The Bank's NPL ratios were 1.9%, 2.1% and 3.6% as of 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 December 31, 2012, 36.7% of the Group's total loans and 40.0% of the Group's total deposits were denominated in foreign currencies, principally US Dollars and Euro.

Recent Developments

The material actions taken by the Bank since December 31, 2012 are described below:

Within the framework of the resolution made by the Bank's Board of Directors on July 30, 2012 regarding the domestic issuance of borrowing instruments, in January 2013 the Bank issued bank bills with a nominal value of TL 656.7 million and a maturity of 163 days, discount bonds with a nominal value of TL 146.5 million and a maturity of 380 days and floating rate bonds with quarterly coupon payments with a nominal value of TL 10.7 million and a maturity of 723 days. The interest rates on these instruments are 6.64%, 7.01% and 6.84%, respectively (annual simple interest).

Within the framework of such resolution, in February 2013 the Bank issued bank bills with a nominal value of TL 460.4 million and a maturity of 180 days and discount bonds with a nominal value of TL 87.3 million and a maturity of 350 days. The interest rates are 6.20% and 6.44%, respectively (annual simple interest). Additionally, in March 2013 the Bank issued bank bills with a nominal value of TL 350 million and TL 550 million and a maturity of 92 days and 169 days, respectively, and discount bonds with a nominal value of TL 150 million and a maturity of 379 days. The interest rates are 6.06%, 6.38% and 6.62%, respectively (annual simple interest).

Within the framework of a new resolution made by the Bank's Board of Directors on March 4, 2013, the Bank continued its domestic market bond issuances and, in April 2013, the Bank issued bank bills with a nominal value of TL 162.02 million and TL 487.98 million and a maturity of 92 days and 176 days, respectively, and discount bonds with a nominal value of TL 82.64 million and a maturity of 400 days. The interest rates are 5.97%, 6.19% and 6.53%, respectively (annual simple interest).

On March 1, 2013, the Bank entered into a €50,000,000 ten year Credit Facility Agreement with Société de Promotion et de Participation pour la Cooperation Economique S.A. (Proparco). The funds borrowed under this facility are to be used to provide mortgage loans to certain retail customers of the Bank.

In March 2013, the Bank sold its subsidiaries, "Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş." and "Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş.," to another subsidiary, "Nemtaş Nemrut Liman İşletmeleri A.Ş.," for TL 127.32 million and TL 87.01 million, respectively.

On April 10, 2013, the Bank issued the Original Notes.

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 "Forward-Looking Statements" 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 December 31, 2012, 92% 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 has been 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.

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

	2008	2009	2010	2011	2012
Nominal GDP at current prices (TL millions)	950,534	952,559	1,098,799	1,297,713	1,416,817
Real GDP growth	0.7%	(4.8)%	9.2%	8.8%	2.2%
Deficit/surplus of consolidated budget / GDP	(1.8)%	(5.5)%	(3.6)%	(1.4)%	(2.0)%
Inflation(1)	10.06%	6.53%	6.40%	10.45%	6.16%
Central Bank overnight TL interest rate(2)	15.00%	6.50%	1.50%	5.00%	5.00%
Refinancing rate of the Central Bank	17.5%	9.0%	9.0%	12.5%	9.00%
Nominal appreciation (depreciation) of the Turkish Lira against the US Dollar(3)	(29.8)%	0.4%	(2.7)%	(23.3)%	6.5%
CPI-based real effective exchange rate appreciation (depreciation) (2003=100)	(12.7)%	1.7%	7.6%	(12.9)%	7.9%
Total gross gold and international currency reserves (US Dollars, millions)	73,346	74,810	85,960	88,218	120,290

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 US Dollar, real effective exchange rate and total gross gold and international currency reserves.

(1) Annual percentage change of Consumer Price Index.

(2) The overnight borrowing rate announced by the Central Bank, which was further reduced to 4.00% in April 2013. Starting from 2010, the Central Bank announces the weekly repo lending rate as the reference rate, which was 5.50% as of December 31, 2012, 5.75% as of December 31, 2011 and 6.50% as of December 31, 2010 (it has since reduced further to 5.00% as of April 16, 2013).

(3) 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, 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 December 31, 2012, 2011 and 2010, approximately 43.2%, 43.7% and 41.4% of the Bank's loans and 48.7%, 46.8% and 41.3% 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) and (b) interest earned from its securities portfolio (TL 4,135 million, or 28.2% of total interest income, in 2012). 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 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 reduced to 4.0% in April 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%, 5.50% on December 18, 2012 and further reduced it to 5.00% on April 16, 2013.

From 2009 to 2011, net interest margins and spreads in Turkish Lira and foreign currencies have been on a decreasing trend due to assets being re-priced with a time-lag compared to liabilities. The decrease in margins has principally been 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.

Central Bank Reserve Requirements

On November 12, 2010, the Central Bank raised Turkish Lira reserve requirements from 5.5% to 6%. 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 was designed in which the interest rate corridor, which is formed between the overnight borrowing and lending rates, and required reserves are employed together besides the policy rate.

On March 23, 2011, the Central Bank further raised Turkish Lira reserve requirements to: 15% for demand deposits, notice deposits and private current accounts and deposits and participation accounts with maturities of up to one month; 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; 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 further increased to 16%.

On October 28, 2011, the Central Bank reduced various reserve requirements. On December 26, 2012, the Central Bank introduced incremental additional reserve requirements to be applicable 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."

As a result of these changes in recent reserve requirements, the Bank's weighted average reserve requirement ratio for Turkish Lira deposits as of December 31, 2012 was 10.9%. 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 the changes 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 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 US 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 US Dollars and Euro. As of December 31, 2012, 33.6% of the Group's total assets and 35.7% of the Group's total liabilities were denominated in foreign currencies, principally US 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.

Exchange rate movements also affect the TL-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 43,223 million as of December 31, 2012. Of this amount, TL 11,049 million, or 25.6%, was classified as held to maturity and TL 32,174 million, or 74.4%, was classified as available for sale. The Group also had a trading securities portfolio amounting to TL 1,560 million as of December 31, 2012. Interest income derived from the Group's trading and investment securities amounted to TL 4,135 million for 2012, accounting for 28.2% of total interest income for the period, 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 latest global financial crisis. Since December 31, 2010 the relative size of the securities portfolio has decreased to 22.3% of total assets as of December 31, 2012, 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, an in particular Turkish government securities (including CPI-linked securities), between 2008 and 2010; *however*, opportunities for such robust yields and gains declined since 2011, which has led to a decrease in the Group's earnings from its securities portfolio.

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 December 31, 2012, the Bank, with its 1,231 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 is the leading private sector bank in terms of the number of branches. 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) and a further 47 new domestic branches in 2012. The Bank currently plans to open an additional 45 to 50 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 the 2012 the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulation; *it being understood* that 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").

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 result in a credit to the "Provision Expenses" account, 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 December 31, 2012 BRSA Financial Statements attached to this Offering Circular.

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 December 31, 2012 balance sheet in the BRSA Financial Statements attached hereto.

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 2012 BRSA Financial Statements attached hereto. 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. Actual results may differ from estimates under different assumptions 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. The Bank does not consolidate its non-financial participations in the consolidated BRSA Financial Statements, but 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, see "Business of the Group – Financial Participations," and for a list of the Bank's non-financial participations, see "Business of the Group – Non-Financial Participations." See also Appendix A ("Overview of Significant Differences Between IFRS and BRSA Accounting Principles"). 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 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 on each of December 31, 2010, 2011 and 2012 are Anadolu Anonim Türk Sigorta Şirketi, Anadolu Hayat Emeklilik A.Ş., Camiş Menkul Değerler A.Ş., İşbank AG, İş Factoring Hizmetleri 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 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 Yatırıım Ortaklıgı A.Ş. which was a consoliated subsidiary of the Group, ceased to exist in July 2012 as it was acquired by another consolidated subsidiary of the Group, İş 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. In frame of 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 the 2012 the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulation; *it being understood* that 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").

With respect to receivables from the Group's leasing and factoring business, a special provision is set aside as decreed in the "Financial Leasing, Factoring and Financing Companies Communiqué on Principles and Procedures for the Provision for Receivables," which was published in the Official Gazette numbered 26558 dated July 20, 2007. 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 the 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 provision, no provision liability has been recognized for such companies. In addition, provision is also allocated for the 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, and has since been further extended to May 8, 2015. 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, this period of two years was raised to four years. 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 exercises an actuarial audit for the aforementioned pension fund. The Bank sets aside provision in the financial statements for the amount of actuarial and technical deficit in the actuarial report.

In the Group's financial statements as of December 31, 2012, provision was set aside for the amount of actuarial and technical deficit identified in an actuarial report dated January 30, 2013. 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 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.

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:

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

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

Analysis of Results of Operations for 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**
	(TL thousands, except where indicated)		
Interest Income	**10,850,750**	**12,081,352**	**14,676,856**
Interest Income on Loans	6,180,827	7,498,817	10,129,963
Interest Received from Reserve Deposits	—	—	-
Interest Received from Banks	347,848	194,132	199,780
Interest Received from Money Market Placements	7,954	5,176	7,762
Interest Received from Marketable Securities Portfolio	4,178,647	4,220,638	4,135,462
Financial Assets Held for Trading	76,977	63,911	99,255
Financial Assets at Fair Value Through Profit and Loss	—	—	-
Financial Assets Available for-Sale	2,411,536	2,392,929	2,494,658
Held to Maturity Investments	1,690,134	1,763,798	1,541,549
Finance Lease Income	84,080	102,550	107,110
Other Interest Income	51,394	60,039	96,779
Interest Expense	**5,440,180**	**6,664,356**	**7,834,591**
Interest on Deposits	4,174,618	4,931,769	5,409,094
Interest on Funds Borrowed	625,306	373,450	417,738
Interest on Money Market Funds	623,945	1,109,917	1,476,204
Interest on Securities Issued	5,722	209,706	454,618
Other Interest Expense	10,589	39,514	76,937
Net Interest Income/Expense	**5,410,570**	**5,416,996**	**6,842,265**
Net Fees and Commissions Income/Expense	**997,891**	**1,102,726**	**1,258,319**
Fees and Commissions Received	1,509,200	1,788,674	2,081,434
Non-cash Loans	123,430	141,504	194,994
Other	1,385,770	1,647,170	1,886,440
Fees and Commissions Paid	511,309	685,948	823,115
Non-cash Loans	5,232	6,359	9,673
Other	506,077	679,589	813,442
Dividend Income	**45,785**	**171,477**	**205,032**
Trading Income (net)	**292,912**	**446,913**	**871,070**
Gains/Losses on Securities Trading	656,230	132,031	767,177
Derivative Financial Transactions Gains/Losses	(51,340)	314,865	(295,502)
Foreign Exchange Gains/Losses	(311,978)	17	399,395
Other Operating Income	**4,026,561**	**4,060,685**	**4,559,561**
Total Operating Income / Expense	**10,773,719**	**11,198,797**	**13,736,247**
Provision for Loans and Other Receivables	1,185,911	1,494,935	1,291,545
Other Operating Expenses	**5,671,987**	**6,615,795**	**7,783,373**
Net Operating Income	**3,915,821**	**3,088,067**	**4,661,329**
Profit/Loss From Associates Using the Equity Method	4,806	9,842	12,317
Profit/Loss On Continuing Operations Before Tax	**3,920,627**	**3,097,909**	**4,673,646**
Tax Provision For Continuing Operations	688,933	708,541	958,912
Current Tax Provision	897,266	395,096	1,263,465
Deferred Tax Provision	(208,333)	313,445	(304,553)
Net Period Profit/Loss From Continuing Operations	**3,231,694**	**2,389,368**	**3,714,734**
Group's profit/loss	2,939,156	2,271,539	3,412,022
Minority shares	292,538	117,829	302,712
Earnings Per Share[(1)]	0.026125309	0.020191054	0.030328478

(1) Earnings per share are calculated by using the average number of shares of the current period. Presented in Turkish Lira, not in thousands of Turkish Lira.

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."

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, 2010 and 2011

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."

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." 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." 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, see "Business of the Group– Subsidiaries and Affiliates – Non-Financial Participations."

The Bank's management believes that presenting the activities carried out by the Bank's participations separately provides a better understanding of the Group's structure, which consists of financial as well as non-financial participations.

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

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

Assets

As of December 31, 2012, the Group had total assets of TL 201,075 million, an increase of 9.3% compared to TL 183,936 million as of December 31, 2011. The overall increase in the Group's total assets was primarily attributable to a 15.8% increase in loans. 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 December 31, 2012, the Group's cash and balances with the Central Bank was TL 16,111 million, an increase of 16.0% compared to TL 13,887 million as of December 31, 2011. This increase mainly arose from the Central Bank's decision introduced in October 2011 to allow banks to hold foreign currency reserves instead of Turkish Lira for Turkish lira-denominated liabilities.This new policy has resulted in increases in the foreign currency balances held by the Bank with the Central Bank.

Since the last quarter of 2010 the Central Bank has stopped paying interest for balances held with it for the banks' reserve requirement obligations. As a result, the Bank has preferred to hold fewer excess amounts with the Central Bank other than as required by reserve requirements, and this additional liquidity was used for interest-earning assets such as loans; *however*, the growth of liabilities subject to the reserve requirement obligation and reserve option mechanism implemented in

September 2011 were the main reasons for the increase in the Group's cash and balances with the Central Bank during 2011 and 2012.

Loans, Leasing and Factoring Receivables

As of December 31, 2012, the Group had loans, leasing and factoring receivables of TL 117,118 million, an increase of 16.2% compared to TL 100,809 million as of December 31, 2011. This increase in the Group's loans, leasing and factoring receivables was primarily attributable to a 15.8% increase in loans, principally due to the 20.3% increase in Turkish Lira-denominated loans. This increase in Turkish Lira loans was primarily driven by a 21.4% increase in non-retail Turkish Lira-denominated loans. On the other hand, the growth in foreign currency-denominated loans was only 8.9%. Additional information regarding the Group's loan portfolio is set forth in "Selected Statistical and Other Information – Loan Portfolio."

Liabilities

As of December 31, 2012, the Group had total liabilities of TL 176,216 million, an increase of 7.7% compared to TL 163,625 million as of December 31, 2011. The overall increase in the Group's total liabilities was primarily attributable to a 22.4% increase in shareholders' equity, a 7.3% increase in deposits, a 72.0% increase in securities issued (excluding subordinated bonds, which are classified on the balance sheet as subordinated loans) and US$1 billion of subordinated debt. Additional information regarding the Group's liabilities is set forth in "Selected Statistical and Other Information."

Shareholders' Equity

As of December 31, 2012, the Group's shareholders' equity amounted to 12.4% of the Group's total assets, compared to 11.0% as of December 31, 2011. Both retained profit and TL 1,393 million of mark-to-market gains from available-for-sale investments in 2012 contributed to the increase in shareholders' equity. However, TL 707 million allocated for dividend payments was deducted from shareholders' equity in 2012, which in turn limited the growth in shareholders' equity. Total shareholders' equity was TL 18,987 million, TL 20,311 million and TL 24,859 million as of December 31, 2010, 2011 and 2012, respectively.

Off-Balance Sheet Arrangements

The aggregate amount of off-balance sheet arrangements, comprising guarantees, letters of credit and similar obligations, totaled TL 30,097 million as of December 31, 2012, compared with TL 27,277 million as of December 31, 2011. The increase was largely due to the 15.2% 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. 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 December 31, 2012, 2011 and 2010, the Group's capital adequacy ratio was 16.28%, 14.11% and 17.55%, respectively (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").

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.

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

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 December 31, 2012, 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 a discussion of the differences between the BRSA Financial Statements and the IFRS Financial Statements, see Appendix A ("Overview of Significant Differences Between IFRS and BRSA Accounting Principles").

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,		
	2010	**2011**	**2012**
	(TL thousands)		
Total Assets	6,769,991	8,254,776	8,722,925
Total Liabilities	2,623,208	3,098,455	3,116,984
Profit/(loss) for the period	484,314	740,564	318,863

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."

The table below sets out the Group's principal sources of funding as of the dates indicated:

	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 52.7%, 53.7% and 58.7% of its total liabilities as of December 31, 2012, 2011 and 2010, respectively. As of December 31, 2012, the Group's customer deposits amounted to TL 106,011 million, an increase of 7.3% from TL 98,832 million as of December 31, 2011, itself an increase of 11.7% from 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 years ended December 31, 2011 and 2012, see Note II.a.1 in the Group's 2012 BRSA Financial Statements attached hereto.

The remaining sources of funds for the Group are funds borrowed, repos and money market funds. 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 13.6%, 12.3% and 9.7% of the Group's total liabilities as of December 31, 2012, 2011 and 2010, respectively.

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

	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 December 31, 2012 are as follows:

Outstanding Principal	Final Maturity	Interest rate %
$32 million DPR issuance	November 2014	Libor + 1.83%
$25 million DPR issuance	May 2013	Libor + 0.15%
$41.7 million credit card issuance	January 2014	Libor + 1.00%
$29.1 million credit card issuance	January 2014	Libor + 0.25%
$39 million DPR issuance	May 2014	Libor + 0.93%
$34 million DPR issuance	May 2014	Libor + 0.23%
$54 million DPR issuance	May 2014	Libor + 0.16%
$57 million DPR issuance	August 2013	Libor + 0.92%
$200 million DPR issuance	February 2015	Libor + 0.82%
$35 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
$241 million syndicated loan	May 2013	Libor + 0.95%
€742.5 million syndicated loan	May 2013	Euribor + 0.95%
$404.5 million syndicated loan	September 2013	Libor + 0.85%
€572.6 million syndicated loan	September 2013	Euribor + 0.85%
$500 million eurobond	February 2016	5.10%
$1,000 million subordinated eurobond	October 2022	6.00%
$500 million eurobond	November 2017	3.875%

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 Offering Circular, 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 Offering Circular.

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 Note III.1.b in the Group's 2012 BRSA Financial Statements attached hereto.

As of December 31, 2012, the Group had issued letters of credit amounting to TL 5,220 million, guarantees amounting to TL 22,947 million, acceptance credits amounting to TL 1,298 million and other guarantees and endorsements amounting to TL 631 million.

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

	As of December 31,		
	2010	**2011**	**2012**
		(TL thousands)	
Letters of guarantee	12,464,904	19,924,273	22,947,461
Acceptance credits	211,538	876,324	1,298,250
Letters of credit	3,380,888	5,761,529	5,220,486
Other guarantees[1]	372,685	714,960	631,010
Total	**16,430,015**	**27,277,086**	**30,097,207**

(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 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,		
	2010	2011	2012
	(*TL thousands*)		
Buildings	3,594,986	3,640,226	3,582,160
Land improvements	121,921	132,826	140,511
Construction in progress	11,566	8,769	68,553
Vehicles	20,018	21,611	19,737
Other[(1)]	1,259,693	1,543,262	1,637,831
Depreciation	(3,008,551)	(3,179,842)	(3,309,008)
Net book value	**1,999,633**	**2,166,852**	**2,139,784**

(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) attached hereto (or incorporated by reference herein) 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 attached hereto.

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)	23.2%	20.3%	20.1%

(1) Excluding minority shares.

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, US 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 US 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 US 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 Offering Circular 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 US 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."

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 US 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."

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%*
US Dollars	15,561,571	18.20%	25,570,211	20.24%	13,533,987	9.31%
Euro	8,105,126	9.48%	12,519,927	9.91%	27,631,454	19.02%
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*	*0.469%*	*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%	-	%
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, have led to greater confidence in the banking system and an increase in Turkish Lira-denominated loans. 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 *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) *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 20% or those having a ratio of non-performing debts to the related total loans above 8% in relation to consumer loans (other than auto loans and housing loans) and (iii) 10% for standard and watch list consumer loans (other than auto loans and 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 20% or those having a ratio of non-performing debts to the related total loans above 8% in relation to consumer loans (other than auto loans and 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; *it being understood* that 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"). 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 would (if in place as of such date) have 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 cooperate 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 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 US 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 have enhanced consumer confidence in Turkish Lira as a medium of investment.

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 US 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."

BUSINESS OF THE GROUP

Overview

Türkiye İş Bankası A.Ş. is a Turkish banking institution organized as a joint stock company under the Turkish Commercial Code (No. 6102).

As of December 31, 2012, 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, consumer loans, number of debit cards and volume of debit cards transactions among private sector banks (sources: BRSA and Interbank Card Center). The Bank was the market leader in mutual funds in terms of assets under management as of such date (source: Rasyonet). The Bank operates in six main business segments: (a) Corporate Banking, (b) Commercial Banking, (c) Retail Banking, (d) Private Banking, (e) Capital Market Operations and (f) Other Banking Services.

As of December 31, 2012, the Group had total assets of TL 201,075 million, an increase of 9.3% from TL 183,936 million as of December 31, 2011, itself a 22.0% increase from TL 150,811 million as of December 31, 2010. As of December 31, 2012, the Group had total deposits of TL 106,011 million, an increase of 7.3% from TL 98,832 million as of December 31, 2011, which was a 11.7% from TL 88,477 million as of December 31, 2010.

As of December 31, 2012, the Group had total shareholders' equity of TL 24,859 million, an increase of 22.4% from TL 20,311 million as of December 31, 2011, which increased 7.0% from TL 18,987 million as of December 31, 2010.

For 2012, the Group's net profit was TL 3,715 million, an increase of 55.5% compared to TL 2,389 million for 2011, a decrease of 26.1% from TL 3,232 million in 2010. For 2012, the Group's net interest income was TL 6,842 million, an increase of 26.3% compared to TL 5,417 million for 2011, an increase of 0.1% from TL 5,411 million in 2010.

As of the date of this Offering Circular, the Bank's shares are quoted on the İstanbul Exchange (which replaced the former İstanbul Stock Exchange and Gold Exchange) operating as the stock exchange as well as the gold exchange in Turkey (the "*İSE*") and also are traded by qualified institutional buyers on over the counter markets in the form of American Depositary Receipts and at the London Stock Exchange in the form of Global Depositary Receipts. As of December 31, 2012, 40.73% of the Bank's shares were held by the Bank's own employee pension fund and 28.09% (Atatürk's shares) were owned by the Republican People's Party (the "*CHP*"). The remaining 31.18% was traded publicly on the İSE and the London Stock Exchange. As of December 31, 2012, the Bank was the third largest corporation listed on the İSE by market capitalization, with a market capitalization of TL 27,883 million, which represented 6.1% of the total market capitalization of the İSE-100 Index.

As of December 31, 2012, the Bank had the largest network of branches among private banks in Turkey, with 1,231 domestic branches covering every city (source: Turkish Banks Association). The Bank also has an international presence through its own London, Arbil (Iraq), Bahrain, Batumi (Georgia), Phristina (Kosovo) branches; through İşbank AG, a wholly-owned subsidiary with 13 branches in Germany and one branch in each of The Netherlands, France, Switzerland and Bulgaria; and through Moscow based CJSC İşbank, a wholly-owned subsidiary with 13 branches in Russia. Besides these, the Bank has 14 branches in the Turkish Republic of Northern Cyprus and a representative office in each of the People's Republic of China and in Egypt.

Part of the Bank's original mandate and strategy was to support the growth and development of the Turkish economy. As part of this strategy, the Bank acquired numerous equity participations in other companies over time and has taken part in the establishment of companies in a range of industries, in a number of cases being the first Turkish company to be active in such industries. The Bank has disposed of many of these equity participations over the years. As of December 31, 2012, the Bank had a direct equity interest in 27 companies, five of which are classified under available-for-sale securities. These companies are active in a wide range of sectors including finance, glass, telecommunications and other industrial and service sectors.

The Bank received the The Banker's "Innovation in Banking Technology Award" in the category of "Innovation in Information Security" for the "Finger Vein ID" technology it launched in its Bioidentity POS machines in 2012, was ranked

115th in the "Top 1000 World Banks" survey of the The Banker magazine (published July 2012) and in July 2012 was chosen as "Turkey's Best Bank" by Euromoney.

See also "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments."

Strengths

The Bank's management believes that the Group has a number of key strengths that enable it to compete effectively in the Turkish banking sector:

Market Leader in Turkish Banking Sector in Size and Scope of Operations

As noted above, as of December 31, 2012, the Bank was the largest bank in Turkey in terms of its balance sheet and the second largest in terms of its branch network (source: Turkish Banks Association) and the market leader among private sector banks in the Turkish banking sector in many categories. The Bank was the market leader in mutual funds as of such date, with TL 6,508 million under management and over 10 million investment accounts (source: Rasyonet). The Bank supports its market-leading position by having the largest nationwide branch and ATM network among private sector banks in Turkey, with 1,231 domestic branches, 19 international branches and 4,851 domestic ATMs (in each case as of December 31, 2012) (sources: Banks Association of Turkey and Interbank Card Center). The Bank's management believes that the expansion of the Bank's branch network helps to support the growth of the Bank's assets and liabilities. In 2012, the Bank opened 47 domestic branches, and the Bank is currently planning on opening a total of 45 to 50 domestic branches during 2013.

The Bank's management believes that the Group's market leadership position and broad distribution network has supported its strong growth across both its asset and liability portfolios and enabled it to benefit significantly from economies of scale, capitalizing on the overall strong growth in the Turkish economy despite difficult economic conditions since 2009 due to the global financial crisis. 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 and TL 106,716 million as of December 31, 2012, a compound annual growth rate of 28.9% as compared to the Turkish banking sector's total loan portfolio compound annual growth rate during that period of 22.4% (source: BRSA). The Bank's total deposits grew from TL 88,260 million as of December 31, 2010 to TL 98,313 million as of December 31, 2011 and TL 105,383 million as of December 31, 2012, resulting in a compound annual growth rate of 9.3% while the growth in the Turkish banking sector for the same period was 12.1% (source: BRSA).

Strong Liquidity and Capital Structure with Conservative Funding Policy

The Group has a strong capital structure, with shareholders' equity of TL 24.9 billion and a capital adequacy ratio of 16.3% as of December 31, 2012 (under BRSA) (13.5% calculated using Tier I capital only). See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy." In line with its capital strength, the Group maintains strong liquidity, with a liquid asset ratio (being the total amount of cash and banks, money market placements, trading securities and available-for-sale securities *divided by* the Group's total assets) of 27.1% and cash loan-to-deposit ratio of 108.2% as of December 31, 2012 (100.2% as of December 31, 2011). Although a large portion of the Bank's deposits are short-term (similar to the Turkish banking sector with durations of less than 90 days), the majority of the Bank's deposits have historically been continuously reinvested (with accounts having on average been open for 9 years).

The Group has an immaterial exposure to sovereign debt, other than that of Turkey, as most of its investment securities are composed of Turkish government T-bills and bonds. As a result, the Group was less affected than many other global financial institutions from the reduction of liquidity and increased cost of funding that has occurred during the global financial crisis. Accordingly, the Bank's management believes that the Group's strong balance sheet has supported its ability to attract a strong deposit base and benefitted from a "flight to quality" during difficult market conditions, with deposits having increased by 47.1% from TL 72 billion as of December 31, 2009 to TL 106,011 billion as of December 31, 2012. Overall, the Bank's total assets grew from TL 113,223 million as of December 31, 2009 to TL 131,796 million as of December 31, 2010, TL 161,669 million as of December 31, 2011 and TL 175,444 million as of December 31, 2012, resulting in a compound annual growth rate of 15.7%. The Bank's return on average assets of its banking business[*] was 2.2% in 2010, 1.5% in 2011 and 1.8% in 2012 and the return on average equity of its banking business[**] was 28.6%, 20.3% and 22.9% over the same periods.

Recognized and Trusted Banking Brand in Turkey

The Bank's management believes that the Bank is one of the most widely recognized, respected and trusted banks in Turkey; it has been in business for 89 years, weathering Turkey's often turbulent financial markets and establishing a long-standing focus on prudent risk management and a record of financial stability. The Bank was established under the laws of the Republic of Turkey in 1924 at the initiative of Mustafa Kemal Atatürk as the first national bank of the Republic of Turkey. Unlike many of its competitors, the Bank is neither a family-run enterprise nor a state bank and is thus able to access the entire Turkish market on a commercial and competitive basis without any government mandate or conglomerate relationships. The strength of the Bank's brand, together with its branch network and customer base, have enabled the Group to become a Turkish market leader as well as a trusted banking partner for customers during the financial crisis. As of December 31, 2012, 92% of the Group's assets were in Turkey as the Group has focused most of its business in a market it believes it understands well and in which it enjoys a competitive advantage.

Large Customer Base in Turkey

The Group has approximately 13.3 million retail customers, nearly 6,000 corporate customers and almost 850,000 commercial customers as of December 31, 2012. The Bank has the largest deposit base among private banks with TL 105,383 million in deposits as of December 31, 2012 (Source: BRSA). The Bank's broad network of branches and alternative distribution channels provides the Group with presence, access and crucial local knowledge of retail and corporate/commercial customers in every city in Turkey. Unlike most of its competitors, in addition to the branches in large citites, the Bank also has branches in rural districts. In particular, in 77 out of the 81 cities of Turkey, the Bank has the largest number of branches among private banks according to the Turkish Banks Association. The Group's relationships with its customers have also typically been long-standing; for example, as of December 31, 2012, the Bank's customers have held accounts with the Bank for an average of 9.0 years.

The Bank's management believes that the relatively large size of the Group's existing customer base compared to its private sector banking competitors provides an important competitive advantage in the highly competitive Turkish banking market given the relatively high cost of attracting new customers as compared to maintaining existing customers and focusing on cross-selling. Accordingly, the Group seeks to ensure that it has in-depth knowledge of its customers and the ability to maximize the value of its existing customer relationships.

In terms of its retail customer base, the Group uses several key models that it can deploy across its large retail customer base to continue to improve its customer knowledge and relationships. The Group measures customer value with "lifetime value" models and loyalty with "customer-churn" models. The Group also uses other analytical models, such as its "next best product" model, to enhance its ability to cross-sell products and services. Moreover, the Bank's large deposit base provides it with a comparatively low-cost and relatively stable funding source for its lending activities.

In terms of corporate and commercial banking, the Bank segments its customers, supporting better understanding of customers, sustainable customer relationships and targeted services through a network of nine specialized corporate branches, one specialized branch for multinationals operating in Turkey and 39 specialized commercial branches. The Bank has developed numerous targeted products and services, ranging from tailor-made solutions for large corporates to sector-specific service packages, such as for export support, the plastics industry, logistics, machinery, automotive products and tourism.

Overall, the Bank's management believes that the Group's extensive and broad customer base and understanding of its customers through long-standing relationships provide it with an important competitive advantage in maintaining and growing its business.

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[*] Calculated as (Net Income– Dividend Income)/Average (Total Assets-Equity Participations-Dividend Income). Averages are based upon year-end and period-end figures.

[**] Calculated as (Net Income– Dividend Income)/Average (Shareholders' Equity-Equity Participations-Dividend Income). Averages are based upon year-end and period-end figures.

Diversified Loan Portfolio

By focusing on building a diversified portfolio of loans by types of loans, industry sector and borrower concentration, the Group has historically generated strong returns. The Bank has increased its loan portfolio from December 31, 2009 to December 31, 2012 at a compound annual growth rate of 30.2%. The Group's strong credit and risk management know-how have supported the growth of its loan portfolio and, in the Bank's management's opinion, contributed to the healthy diversification of the portfolio.

The Bank's loan portfolio is diversified in terms of loan type. As of December 31, 2012, 43% of the Bank's total loan portfolio was comprised of loans to corporate (as defined by the Corporate Definition) customers, with 28.1%, 7.6% and 21.0% comprised of loans to SMEs (as defined by the BRSA SME Definition), retail credit cards and consumer loans, respectively. (According to the earlier BRSA definition that was applicape before November 4, 2012, as of December 31, 2012, 49% of the Bank's total loan portfolio would have been comprised of loans to corporate customers, with 22.3% comprised of loans to SMEs.) The Bank's consumer loans are further broken down into general purpose consumer loans (including overdraft accounts), housing loans and auto loans, comprising 51.5%, 42.6% and 5.9% of total consumer loans, respectively, as of December 31, 2012. The Bank's loan portfolio is also diversified among sectors, with the largest share (in energy) representing no more than 7.7% of the Bank's loan portfolio as of December 31, 2012. In addition, the Bank has sought to limit exposure to any single borrower and no exposure to a single borrower was greater than 1.7% of its loan portfolio as of such date. The share of the Bank's receivables from the top 100 cash loan customers in the overall cash loan portfolio was 21.7% as of December 31, 2012. Moreover, as of December 31, 2012, 53.5% of the Bank's loan portfolio had a term of less than six months until the next re-pricing. The Bank's commercial loan contracts generally contain clauses permitting the Bank to make adjustments in the applicable interest rates from time to time, subject to the applicable laws and regulations, thereby further limiting interest rate risk.

Prudent Risk Management

Complementing the Bank's diversified loan portfolio, the Bank's management believes it has instilled a prudent and effective risk management culture at all levels of the Group, beginning with careful customer selection to support a quality asset base. The Bank monitors credit quality on an ongoing basis. As the global financial crisis impacted Turkey and the Group's customers, the Group introduced new risk management tools starting from 2008 such as "application scoring models" for retail and SME portfolios and "behavioral scoring models" for corporate, SME and retail portfolios. The Bank also introduced new risk management tools such as applying credit limits to certain industry sectors that have been highly affected by global turmoil, researching potential customers' relationships and credit histories with other banks and becoming more selective in extending new credit lines. During 2012, the Bank grew its loan portfolio by 16.5% and maintained NPL ratios of 1.9%, 2.1% and 3.6% as of December 31, 2012, 2011 and 2010, respectively, in line with the Turkish banking sector's NPL ratios of 2.9%, 2.7% and 3.7% (source: BRSA).

The Bank's management believes that the Group's focus on enhanced internal controls and risk management systems, as well as its ability to maintain a diverse loan portfolio, will enable the Group to maintain the high quality of its loan portfolio in the future as the Group seeks to continue to grow its business.

Strong Focus on Employee Training and Development; Highly-Skilled Workforce

The Bank's management believes that a key element of the Group's success has been its emphasis on the quality, training and development of its employees. The Bank's turnover rate (*i.e.*, employee resignations excluding retirees) is very low with a rate of 3.45% as of December 31, 2012. The Group's dedicated and well-trained employees form a cornerstone of its focus on superior customer service and long-standing customer relationships, and also provides the Group with a competitive advantage over its competitors, particularly in a growing market where there is a high demand for skilled personnel. Historically, the Group has sought to maximize the opportunity for career development for its employees, with all positions typically filled through internal promotions and appointments.

Maintain High Standards of Corporate Governance and Business Ethics

The Bank's management believes that the Group's internal corporate governance structure reflects the best market practices of the Turkish and international banking sectors. The Group established these corporate governance practices to improve management's efficiency and to further protect the interests of the Group's stakeholders, including its customers and shareholders. The Bank prepares a "Corporate Governance Principles Compliance Report" each year, which is a report by the Bank's Board of Directors about the compliance of the Bank's corporate governance practices to the corporate governance principles of the CMB.

Strong Record of Innovation

The Bank's management believes that the Group is an innovator and market leader in the Turkish banking sector, having distinguished itself through a number of innovations in Turkey, including initiating the practice of providing checking services, launching Turkey's first interactive telephone and internet banking service and establishing the first mutual funds in Turkey, including the first mutual fund with a focus on environmental and social responsibility. The Bank was the first bank in Turkey to establish overseas branches when it opened its branches in Hamburg, Germany and Alexandria, Egypt in 1932. The Bank also introduced electronic banking to Turkey with its brand name, "Bankamatik" ATMs. These ATMs became so popular that ATMs are now generally referred to as "Bankamatiks" even if they are not the Bank's ATMs. In July 2010, the Bank integrated a biometric device to its ATMs and commenced a new system called as "Biyokimlik" (Bio-ID) that allows customers to access their accounts by using just their PIN number or card their fingervein-ID, which is a form of secure biometric data. In addition, in January 2013, the Bank integrated its mobile banking platform with its ATMs, enabling customers to withdraw cash through İşCep by scanning a code on an ATM's screen. Moreover, the Bank was the first bank in Turkey to start mobile banking by using WAP, followed in 2007 by the Bank's introduction of "İşCep," which it believes was the first java-based mobile application in Turkey. İşCep now supports iOS, Android, Bada, Java and iPhone 7 operating systems. In 2010, the Bank introduced a new banking application for tablet devices named "İşPad," which was originally designed to work on iPad units and now is also compatible with tablets running the Android operating system. The latest innovation of the Bank is "Parakod," which is a code technology on İşCep used as a payment system that enables customers to make payment with their mobile phones without using their credit cards.

For additional information on the Group's technological innovations, see "Channel Management" and "Information Technology."

Strategy

The Bank's strategic vision is to become the most preferred bank in Turkey for its customers, shareholders and employees, including being the "customer champion." The main objectives of the strategy are achieving profitable and sustainable growth via increasing customer satisfaction, improving employee performance, reducing the cost base and increasing productivity and effectiveness. The Bank plans to reach these targets by maintaining market shares in the primary banking services and leveraging new growth opportunities with a cost effectiveness perspective, continuously improving its asset quality, focusing on sustainable non-interest income generation and price optimization for all financial products and services, while operating within a risk-based capital management framework. The key elements of the Group's strategy to achieve these goals are set out below.

Capitalize on Expected Growth of the Turkish Economy and Banking Sector through Expansion of its Distribution Channels and Introduction of New Products and Services

The Group is continuing to focus on leveraging its existing market leadership position and strong national brand by growing its branch network, alternative distribution channels and product and service offerings to capitalize on the expected growth and development of Turkey's economy and resulting growth in demand for banking services. The Bank opened 54, 63 and 47 new branches across Turkey in 2010 (five branches were consolidated with other branches in 2010), 2011 (six branches were consolidated with other branches in 2011) and 2012, respectively, and is continuing to seek opportunities to deploy new branches and ATMs. To date, Turkey has been significantly under-banked compared to the EU, with a total loans-to-GDP ratio in 2011 of 53% compared to the EU-27 average of 194%, total assets-to-GDP ratio of 94% compared to the EU-27 average of 367% and 14 branches per 100,000 persons compared to the EU-27 average of 45 (source: Eurostat, European Banking Federation, TurkStat, BRSA. Note: Number of branches is as of 2010). Accordingly, there is significant scope for additional growth in the Turkish banking sector.

In addition, the Group is continuing to develop new products and services across each of its businesses. In retail, the Bank has introduced a range of new products, such as a "Maximum account" (which includes both an automatic payment function as well as automatic investment in mutual funds of any balances that exceed a set limit) or the prepaid card

"MaxiPara" (which has the widest product mix among the competitor products). "ÜstüKalsın" (Keep the Change) is an innovative application that is available to all of the Bank's customers who have both credit card and investment accounts with the Bank – with "ÜstüKalsın," the balance due shown in the account statement is rounded up according to the customer's instructions and the difference between the two amounts is added to their investment account. The advantage of "ÜstüKalsın" is that it encourages customers to save without changing their spending habits. In its SME business, the Bank offers over 100 products, including a specialized website that was launched in 2009, which included both news, information and expert advice for SMEs, and the SUNUMATİK application to create their own presentations in a faster and easier way.

Defend and Selectively Grow Market Share Across Key Markets through Superior Customer Service

In order to maintain and grow its market leading position, the Bank intends to strengthen customer relationships through its "Customer Champion" strategy by utilizing the Bank's experienced, dedicated and highly trained employees, extensive distribution network and its wide range of products and services to increase the value of existing customers through improving customer satisfaction by maximizing its presence, accessibility and innovation. The Bank launched its "Customer-Centric Transformation Program" ("*CCT*") in 2006 to specifically target improvements in its customer service regime, operational efficiency and commercial productivity. Since 2011, the Bank has successfully achieved all CCT targets, including the introduction of advanced customer segmentation and marketing models and centralization of many branch operations. Furthermore, the Bank has initiated several additional employee training programs including sales academy training courses to further enhance the quality of service being delivered to its customers.

To further support its customer-centric focus, the Bank seeks to maximize customer value by, among other things, increasing cross-selling, re-activating inactive customers, building relationships with customers that have the potential to use multiple banking services and focusing on high growth products such as housing loans, insurance and pension products. In particular, the Bank is focusing on selectively growing retail and SME clients, which offer superior potential for growth given Turkey's developing economy.

Reduce its Cost-Base and Increase Productivity and Commercial Effectiveness

The Group plans to continue to focus on operational efficiencies through economies of scale, improving cost controls and identifying other cost reduction and efficiency measures. The Group intends to achieve this through several approaches such as centralization of branch operations, target-based sales management, increased operational productivity via technological improvements and sales-oriented restructuring of its branch organization. The Bank plans to use technology and centralized operation centers whenever possible to increase efficiency, and has made significant investment in information technologies such as deployment of Gişematik (teller cash recyclers) and multifunctional ATMs.

The Group also intends to focus on improving its operational efficiency by migrating its customers to alternative delivery channels (such as internet, mobile banking, ATMs and kiosks) and is enhancing the range of available delivery channels and alternative products available in order to drive more and more banking transactions out of traditional branches. As of December 31, 2012, approximately 7.9 million customers were actively using the Bank's alternative delivery channels, accounting for approximately 78% of the Bank's total consumer banking transactions during 2012.

Continue to Focus on Recruitment and Development

The quality of the Group's employees and their commitment to the Group's performance are key factors in ensuring the Group's future success. The Group seeks to attract the most promising and talented employees and to retain and develop them throughout their careers. Targeting the best universities is the starting point for the new graduate recruitment process, followed by aptitude and personality tests and competency-based interviews. The Group also offers programs and training opportunities intended to foster the personal and professional development of its employees, and to support and reward loyalty, responsibility and creativity. The Group also strives to design and implement a fair and effective hiring, appraisal and advancement system based upon competence and performance. Succession planning for the top management and programs designed to meet the specific development needs of high potential managers are the key retention programs for top personnel, as well as the leadership mentoring program applied within the Group.

International Expansion

The Bank is a major participant and a strong brand in its domestic market. Having the largest domestic distribution network among privately owned banks in Turkey, the Bank also intends to expand its growth momentum internationally. The Bank's strategy is to follow its customers and meet their banking needs in international markets having close economic, commercial and cultural ties with Turkey. The Bank's main criteria of expansion are the volume of foreign trade, Turkish originated foreign investments in the target country and economic stability and growth potential.

In this context, the Bank shapes its international presence in line with the globalization of the Turkish economy and seeks to become a regional bank first and then becoming an international bank through the expansion of its overseas network. The Bank's management believes that the Bank, with its high level of banking experience, has the ability to make significant contributions to the economic prosperity of the target markets. In any such expansion, the Bank's aim is to maintain sustainable growth in profitability when entering into new markets, as well as to increase the revenues generated by its existing overseas network. The Bank has various ongoing overseas expansion activities, including being in the process of opening branches in Baghdad and Duhok (Iraq), Tbilisi (Georgia) and Taşkınköy (Turkish Republic of Northern Cyprus).

History and Development

The Bank was established under the laws of the Republic of Turkey in 1924 at the initiative of Mustafa Kemal Atatürk as the first national bank of the Republic of Turkey and began operating with two branches and 37 staff members. Unlike many of its competitors, the Bank is neither a family-run enterprise nor a state bank. In May 1998, 12.3% of the Bank's total shares previously held by the Turkish Treasury were sold to national and international investors in an initial public offering. The Bank is headquartered in İstanbul and (with its Group) provides a full range of banking services, including corporate banking, commercial banking, retail banking, private banking and capital markets operations. The Bank's articles of incorporation provide for the following activities:

- effecting all kinds of banking transactions,
- setting up or participating in all types of ventures concerning agriculture, industry, mining, the production and distribution of power, public works, transportation, insurance, tourism and exports,
- founding companies for the production, manufacture and procurement of all types of goods or supplies, or to participate in enterprises engaged therein, and
- undertaking and carrying out all types of industrial and commercial transactions in its own name and for its own account as well as jointly with domestic and foreign institutions or in the name and for the account of such institutions.

The Bank was established in Ankara on August 26, 1924 with the Cabinet Decision dated August 20, 1924. The Bank was later registered with the İstanbul Chamber of Commerce on December 29, 1999 under registration number 431112 when its registered office was moved to its current location at İş Kuleleri, 34330 Levent, İstanbul. The Bank is a bank under the Banking Law and is duly organized and incorporated and validly existing as a joint stock company (*anonim şirket*) under the Turkish Commercial Code (No. 6102). The duration of operation of the Bank as a joint stock company is unlimited.

Business Activities

The Bank provides a full range of banking services, including but not limited to the following five sectors:

- *corporate banking activities*: commercial loans, non-cash loans (including letters of guarantee, guarantees and acceptances), foreign trade operations, project finance, merger and acquisition finance, hedging and cash management solutions,
- *commercial banking activities*: commercial deposit taking, business credit cards, commercial loans, small business loans, flexible business loans, overdraft commercial accounts, point of sales-based loans, commercial housing loans, commercial auto loans, tractor and agricultural equipment loans, small business export and investment loans, letters

of credit, letters of guarantee, point-of-sales agreements, automatic payment instructions, tax collection, internet banking, foreign trade operations, sector-specific packages, cash management and payment system facilities,

- *retail banking activities*: deposit accounts, credit cards, debit cards, prepaid cards, housing loans, general purpose loans, auto loans, overdraft accounts, merchant agreements, payroll accounts, automatic payment instructions, social security premium collection, tax collection, tuition fee collection, investment products, insurance products and HGS-OGS (Turkey's highway toll collection system),

- *private banking activities*: in addition to retail banking products and services, Privia-branded products (including credit cards, Privia consumer loans, Privia mutual funds and Privia individual pension accounts) and structured products, each tailored to the needs of specific private banking customers, and

- *capital market operations activities*: investment account system, mutual funds, equity brokerage, odd-lot transactions, fixed income business (bond trading), gold trading, futures and options brokerage, repo and custody services.

The Bank 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 indicated in the table below. The business activities presented under Financial Participations and Non-Financial Participations are executed by separate legal entities referred to as "participations," in which the Bank (directly or indirectly) holds shares. For a list of the Group's shareholdings in these participations, see "Business of the Group – Subsidiaries and Affiliates – Financial Participations" and "-Non-Financial Participations." While the Bank (directly or indirectly) holds a controlling interest in each of these participations and appoints some of their board members, in practice the participations operate with a certain level of autonomy on a day-to-day basis.

For accounting purposes, the Bank reports its business in its BRSA consolidated 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-sectors 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" sector. For a list of the activities undertaken in its Financial Participations sector, see "Business of the Group – Subsidiaries and Affiliates – Financial Participations" below. The Bank does not consolidate the results of its non-financial participations (principally its glass and telecommunications businesses) in its BRSA consolidated financial statements on a line-by-line basis and so these results do not appear in the segmental data included therein.

The non-financial participations are reflected in the Bank's BRSA consolidated financial statements under the "Investments in associates" and "Investments in subsidiaries" items at their book values. For a list of the "non-financial participations, see "Business of the Group – Subsidiaries and Affiliates – Non-Financial Participations."

The Bank's business units are as follows:

Banking Services	**Financial Participations**	**Non-Financial Participations**
Corporate Banking	Insurance	Glass
Commercial Banking	Private Pension	Telecommunications
Retail Banking	Reinsurance	Others
Private Banking	Banking	
Capital Market Operations	Investment Banking	
Other Banking Services	Real Estate Investment Trust	
	Brokerage and Custody	
	Leasing and Factoring	
	Asset Management	
	Venture Capital	

Banking Units

Corporate Banking

The Bank established its Corporate Banking business unit in 2003 to provide services to large domestic and multinational companies. The unit consists of two divisions, the Corporate and Commercial Banking Product division and the Corporate Marketing & Sales division. The Corporate Banking business unit provides a full range of corporate banking products and services including, but not limited to, commercial loans, non-cash loans (including letters of guarantee, guarantees, and acceptances), foreign trade operations, project finance, merger and acquisition finance, risk management products and cash management services.

As of December 31, 2012, the Corporate Banking business unit accounted for TL 41.7 billion (36.2% of the Group's total loans) and TL 22.3 billion (21.0% of the Group's total deposits). As of December 31, 2012, the Corporate Banking business unit operated through 10 specialized branches, four corporate branches and one "multinationals' branch" in İstanbul and one corporate branch in each of Kocaeli, Ankara, İzmir, Antalya and Bursa. By establishing these corporate branches, the Bank aims to increase its market share of credit, investment and foreign trade transactions among customers with high creditworthiness, to reach new customers and to benefit from cross-selling opportunities.

With its new branch in Istanbul named "Multinationals' Branch," the Bank intends to provide services for multinational companies that are interested in investing in Turkey. The Multinationals' Branch is supported by a dedicated new unit at the Bank's head office. The new branch and head office unit offer companies consulting services, such as with respect to finance and taxation-related laws and regulations as well as information on the day-to-day management of their business in Turkey. Corporate Banking branches are dedicated solely to working with corporate customers assigned by the Bank's head office in İstanbul. In the Corporate Banking branch model, the Bank maintains a clear distinction between "sales" and "operations" functions, enabling relationship managers to focus on sales activities while ensuring expertise and efficiency in operations.

The Bank classifies customers with annual net sales of at least US$30 million and/or a credit limit of at least US$10 million as "corporate customers;" *however*, it is also possible to evaluate customers on a case-by-case basis in determining whether or not the customer should be included as a corporate customer. Depending upon the nature of services and products used, a customer may be designated as a commercial client even if they meet the sales and credit limit requirements of corporate segment. As of December 31, 2012, the Bank had approximately 6,000 corporate customers.

The Corporate Banking business unit's long-term strategy is to enhance its customer franchise and to broaden its product portfolio in order to diversify revenue sources and to contribute to the Group's sustainable and profitable growth.

Loan Products. A significant portion of the Corporate Banking business involves extending loans to corporate customers. The Bank primarily offers the following types of loans to its corporate customers: revolving loans, overdraft loans, discount loans, foreign currency-indexed loans, foreign currency-denominated loans, letters of guarantee, spot loans, investment and project finance loans and commercial loans with monthly installment repayments.

Trade Finance. The Bank's Corporate Banking unit also offers trade finance products. The Bank provides a variety of support services and payment management mechanisms to customers engaging in international trade transactions. The Bank offers mainly the following types of trade finance products: export loans, letters of credit, acceptance credit, pre-finance loans, confirmation loans, forfeiting and Turkish Exim Bank export loans (pre-shipment).

Project Finance. A significant portion of the Bank's corporate loan portfolio relates to its project finance activities. The Bank has played a key role in a number of major project finance deals throughout the country, including the financing of mergers and acquisitions and privatizations of publicly owned energy, steel and refinery plants and public utilities, port and airport concessions, real estate development projects, energy deals and industrial plants in various sectors such as mining and metals, cement, food products and electromechanical equipment. The Bank also finances a number of Turkish Treasury and municipality-backed infrastructure projects.

The Bank selectively extends financing for high-volume private sector investments, privatizations and merger and acquisition projects, while remaining committed to its risk-sensitive approach. In recent years, the Bank has also acted as underwriter on several large syndicated loans. The Bank granted loans related to financing 17 projects with an estimated total loan value of US$1.4 billion in 2012 and loans related to financing 41 projects with an estimated total loan value of US$3.6 billion in 2011.

The Bank provides project finance with full recourse to project assets and limited or full recourse to the sponsors. Only selected transactions adhering to international standards that have very limited bankability concerns may be financed on a pure non-recourse basis.

The Bank's project finance activities have received the following awards from the publication Euromoney: "European Power Deal of the Year" in 2009 for the Eren Enerji Thermal Power Plant Project, "European Metals Deal of the Year" in 2009 for the MMK Atakaş Project, "European Hydro Power Deal of the Year" in 2010 for the Boyabat Hydroelectric Power Plant Project, "European Utilities Deal of the Year" in 2010 for the privatization of UEDAŞ and ÇEDAŞ electric distribution companies, "European Transport Privatization Deal of the Year" in 2011 for the privatization of İstanbul Ferries (*İstanbul Deniz Otobüsleri* – İDO), "European Power Deal of the Year" and Project Finance International's "Turkish Deal of the Year" in 2011 for the Gebze Combined Cycle Gas Tribune Plant and "Turkish Infra Deal of the Year" in 2012 for operation and transfer of the Istanbul strait road tube crossing project (the Eurasia Tunnel Project).

The Bank's project finance activities also provide the Group with cross-selling opportunities for its derivative products and other banking services. These activities provide a significant contribution to the Group's business volumes.

Certified Check: Certified Check is a unique and innovative product designed to solve concerns in Turkey about checks that cannot be cashed due to insufficient funds in the issuer's account. In this program, the customer applies for a certified check guarantee limit and, if the limit is approved by the Bank, the customer uses this limit for issuing checks. After a certified check is issued, the recipient of such check can obtain information about the level of the guarantee of such check via SMS, mobile applications and branches and thereby take confidence that the check will be cashed. If the customer's account balance is not sufficient at the time a check is presented for payment, then any shortfall is paid from the Bank's guarantee limit.

Risk Management. The Bank provides tailored products that are designed to offset customers' exposures to interest, maturity and currency risks. These products include customized investment vehicles, forward and futures contracts, swaps and options. These products take into account a number of factors including the goals, risk tolerance levels and cash flows of the customers.

Cash Management Services. The Bank's cash management services include the following:

- *Direct Debiting*. The direct debit system is an electronic debt collection system that permits customers to collect receivables from third parties and transfers collected amounts to the relevant customer account through the settlement service provided by the Bank. Direct debiting also provides payment guarantees for suppliers' sales to dealers.

- *Dealership Card*. The Dealership Card is an alternative to traditional payment systems, such as checks and promissory notes, that the Bank provides to its commercial customers. This product provides payment guarantees for suppliers in relation to their installment sales, as well as offering the convenience of a credit card. The Dealership Card differs from a regular credit card, however, in that it does not generate financing cost for the Bank.

- *Other Electronic Systems*. The "Electronic Collection of Checks and Notes System" is designed to enhance the processing of large numbers of checks and notes delivered to the Bank's branches for collection or as collateral. The "Automatic Money Transfer System" provides for automatic money transfers where transfer information is received in electronic format, while the "Electronic Account Statement System" allows companies to access detailed statements of their accounts electronically, relieving an administrative burden on the Bank's branches.

Commercial Banking

The Bank has focused on supporting commercial customers, especially SMEs in Turkey, since it was founded in 1924. The Bank provides commercial banking services through its Commercial Banking business unit, which is comprised of marketing, sales and product divisions. The Bank's management believes that in recent years SMEs have gained increasing importance and weight within Turkey's economic development.

The Bank generally classifies customers with net sales of less than US$30 million and/or a credit limit of less than US$10 million as commercial banking clients. As of December 31, 2012, the Bank had nearly 850,000 commercial banking customers.

As of December 31, 2012, the Commercial Banking business unit accounted for TL 42.8 billion (or 37.2%) of the Group's total loans and TL 20.1 billion (or 18.9%) of the Group's total deposits.

The Bank offers an extensive range of products and services to meet the full range of its customers' financial needs, including commercial housing loans, commercial overdrafts, installment-based commercial loans, commercial auto loans and specialized packages of banking services and support solutions for SMEs' information needs.

The Bank recognizes that companies engaged in different sectors have unique demands for products and services as well as distinctive cash flows. As such, the Bank presents sector-specific product packages designed according to the particular needs of the relevant sector. For example, the Bank has developed financial solutions to meet certain commercial customers' demands with the following support packages: energy efficiency and environment, export, plastics, furniture, logistics, tourism, automotive by-products, innovation, machinery production, development agencies projects, farmers, accountants, pharmacists, tradesmen and artisans.

The Bank has designed its commercial marketing activities to take into consideration seasonality and sectoral differences as well as its customers' needs and attitudes, which the Bank assesses using new analytical models introduced as part of the Bank's CCT program.

While providing SMEs with investment financing and operating capital, the Commercial Banking business unit also offers customized loan products for its commercial customers and business partners to enhance their position within the market. These loan products vary from commercial auto loans to commercial housing loans. The Bank's market share in commercial auto loans was 26.2% as of December 31, 2012 (source: BRSA). In order to provide its customers with more differentiated and focused service, the Bank set up a "Sector-Specific Banking/Agriculture and Tourism Unit" within the Commercial Banking business unit. The Bank supports the agricultural sector through specially designed credit products such as tractor and agricultural equipment loans and business cards such as "İşbank Agricultural Procedure Card" and "İmece Card." In addition, the Bank offers cash management and payment system products to its commercial banking customers.

In 2008, the Bank introduced a network of commercial branches with a view to offering high quality service to commercial customers of a certain size that are also in good standing with the Bank. As of December 31, 2012, 39 of these specialized commercial branches were in operation. For further information as to how the Bank's branches are categorized, see "Channel Management."

As of December 31, 2012, the Bank had agreements with 135 chambers of commerce and industry and 18 associations and unions under which it offers credit and cash management products to member companies.

The European Union Business Centers ("*ABIGEM*") is a joint project by the European Union Commission and the Union of Chambers and Commodity Exchanges of Turkey. In July 2007, the Bank signed its first cooperation protocol with ABIGEM. As of December 31, 2012, four protocols had been signed and remain active, and the Bank currently extends credit and offers cash management products to companies within the scope of the ongoing cooperation protocol.

As of December 31, 2012, the Bank has signed 13 protocols with the Small and Medium Enterprises Development Organization ("*KOSGEB*") relating to servicing the working capital and export financing needs of manufacturers, tradesmen and artisans in Turkey.

The Bank has also signed protocols with the Credit Guarantee Fund ("*KGF*") and the Turkish Grain Board ("*TMO*"). The KGF provides guarantees that make it possible to provide loans to SMEs that lack sufficient collateral, and through its arrangement with the TMO the Bank extends loans against TMO receipts to its depositors who have delivered their produce (wheat, barley, corn and rice) to the TMO.

Retail Banking

As of December 31, 2012, the Bank had approximately 13.3 million retail banking customers. In order to sustain and grow revenues in the competitive Turkish banking environment, the Bank's focus is on retaining and growing the range of products and services utilized by its profitable customers through an emphasis on cross-selling. Aiming to achieve customer-centricity, the Bank analyzes customer data and builds business models based upon the results obtained from various analytical models.

As of December 31, 2012, the Retail Banking business unit accounted for TL 27.5 billion (or 23.8%) of the Group's total loans and TL 42.7 billion (or 40.3%) of the Group's total deposits. The Group's retail loans are comprised of three different loan categories: consumer loans, overdrafts and credit cards.

The Bank categorizes its retail banking customers into three customer segments based upon behavioral patterns and financial needs.

The Bank seeks to build and sustain its competitive advantage in the retail banking business by meeting the needs and expectations of its customers. The Bank employs a multi-factor approach to building loyalty and seeking to grow its customer base through a wide-ranging branch network, a customer-centric approach, employment of highly qualified personnel, providing innovative products and services designed to meet customer needs and providing alternative distribution channels enabling various types of transactions. The Bank also analyzes customer data through certain analytic models, such as value-based segmentation, customer churn analysis, lifetime value analysis, potential value analysis and next-best product analysis, in order to gain insight into customer needs and then seeks to provide new products to meet those needs.

The products and services that the Bank offers to its retail banking customers include auto loans, housing loans, general purpose cash loans, deposit and overdraft accounts, checks, investment accounts, payment and collection services, individual cash management services, OGS-HGS highway toll payment products, smart cards, credit, debit and prepaid cards, interactive banking facilities (including telephone, internet and mobile banking), ATM services (with online cash deposit features), payroll services, automatic payments, tax and insurance premium collection, fixed income and over-the-counter ("*OTC*") securities (including odd-lot OTC equity trading) and foreign exchange transactions.

Payroll Services. The Bank's management believes that the Bank's large network of branches and ATMs make the Bank an attractive choice for large corporations entering into "payroll agreements." When a company opens its main account with one of the Bank's branches and then enters into a payroll agreement for its employees, the Bank opens an individual account and issues a debit and credit card for each employee on that company's payroll.

The Bank had payroll agreements with approximately 23,500 employers providing for the direct deposit of paychecks to approximately 1.25 million employee accounts maintained with the Bank, as of December 31, 2012. The Bank's senior management believes that the expansion of accounts covered by payroll agreements is of strategic importance as it provides an opportunity for the Bank to cross-sell the Group's other banking and financial services.

Automatic Payments. The Bank's management believes that the Bank provides a broader range of services in the area of automatic payments and fee collections than its principal competitors, including those related to fees of several universities and private schools, taxes and insurance installments, as well as telephone, water, electricity and natural gas bills. The Bank has systematically extended its bill payment services by entering into agreements with institutions nationwide. The number of automated bill payment orders through the Bank was 6.2 million for 2012, compared with 5.9 million for 2011. The Bank's payroll services and automated bill payments are important sources of demand deposits.

Overdraft Accounts. An overdraft account has typically been a highly popular retail product among the Bank's customers since it provides comfort and flexibility for short-term financing needs. The Bank offers overdraft accounts to all of its retail banking customers. An overdraft account enables the Bank's customers to pay their bills, make payment transfers and withdraw cash even if their account balance is not sufficient. An overdraft account does not have a specific term. It can be used permanently if the customer makes regular payments on the account. As of December 31, 2012, the value of funds held in the Bank's retail overdraft accounts was TL 298.4 million.

Consumer Lending. As of December 31, 2012, the Group's total consumer loans (excluding overdrafts), which are composed of general purpose loans, auto loans and housing loans, amounted to TL 22,307 million. General purpose loans amounted to TL 11,447 million (51.3%), auto loans amounted to TL 1,318 million (5.9%) and housing loans amounted to TL 9,543 million (42.8%).

As of December 31, 2012, according to BRSA data, on a bank-only basis, the Bank's market share of the consumer loan market was 12.0%, with a market share of 12.0% related to housing loans, 17.5% related to auto loans and 11.5% related to other loans.

Auto loans are generally collateralized by a pledge on the purchased vehicles and/or guaranteed by creditworthy individuals or entities. Housing loans are generally collateralized by a mortgage on the purchased property in an amount equal to the aggregate principal. Housing loans are also frequently guaranteed by other creditworthy individuals or entities, generally have a tenor of no longer than 120 months and are denominated in Turkish Lira with a fixed rate of interest.

All appraisal procedures for collateral are conducted by independent appraisal firms that have been licensed by the BRSA and CMB. The Bank's Construction and Real Estate Department has determined the list of independent appraisal firms and the appraisal of collateral must be done by firms that are included in this list. The branch managers have no authority to appraise collateral.

With its extensive branch network and large customer base, the Bank provides a diversified range of housing loan products for each segment of customers. The Bank's employees all undertake certified housing loan training programs in order to assist customers with their housing loan needs. Working in cooperation with real estate agencies, the Bank enacts various strategies that enable it to acquire new housing loan customers. Additionally, the Bank is intensively focused on increasing its share in ongoing residential estate projects. The Bank has various housing loan products, of which fixed payment housing loans have been the most popular product.

Deposits. Deposits (both from retail and other customers) are the Group's main source of funding and reached TL 106,011 million as of December 31, 2012. Deposits accounted for 52.7% of the Group's total liabilities as of December 31, 2012, as compared to 53.7% as of December 31, 2011. As of December 31, 2012, Turkish Lira-denominated deposits accounted for approximately 60.0% of the Group's total deposits, while foreign currency-denominated deposits accounted for the remainder.

The Bank has the largest market share of deposits among private banks in Turkey on a bank-only basis, with 13.7% of total deposits as of December 31, 2012, 14.2% as of December 31, 2011 and 14.4% as of December 31, 2010 according to the BRSA. The Bank's management believes that this indicates the Bank's customers' trust in the Bank, and that deposits are a strong and stable funding source in large part due to the Bank's large domestic customer base, extensive branch network, sound reputation, advanced information technology and efficient retail banking services.

The Bank offers its customers a range of deposit products, including Turkish Lira/foreign currency demand deposits, Turkish Lira/foreign currency current accounts, Turkish Lira/foreign currency term deposit accounts and Turkish Lira "Fixed Accounts" and "Floating Accounts." The Bank's "Floating Account" was Turkey's first term-deposit product with Turkish Lira Interbank Offered Rate-indexed return.

Current accounts and term deposit accounts are basic deposit products and are used extensively by the Bank's customers. Fixed accounts and floating accounts provide liquidity through periodic interest payments. The terms of these accounts vary between a minimum of one year and a maximum of three years with interest payments at one, three, six or 12 month intervals. The interest rate is fixed for the duration of a fixed account. The account protects customers against falling interest rates during its lifetime. For floating-rate accounts, interest is paid at intervals and is linked to the Turkish Lira Interbank Bid Rate.

As of December 31, 2012, the Bank had the largest market share among private banks in Turkey in terms of total deposits, Turkish Lira deposits, foreign exchange deposits, demand deposits (excluding deposits from banks) and Turkish Lira savings deposits with market shares of 13.7%, 12.9%, 15.4%, 16.2% and 14.2%, respectively, on a bank-only basis.

As of December 31, 2012, the total value of the Group's deposits reached TL 106,011 million, with demand deposits accounting for 20.1% and all other deposits accounting for the remaining amounts. In terms of Turkish Lira-denominated saving deposit accounts, the Bank's market share decreased from 15.1% as of December 31, 2011 to 14.2% as of December 31, 2012 on a bank-only basis according to the BRSA. In terms of Turkish Lira-denominated demand saving deposits, the Bank's market share was 19.6% and 19.0% as of December 31, 2011 and 2012, respectively, on a bank-only basis according to the BRSA.

Credit and Debit Card Business. The Bank's credit and debit card business consists of two main functions, issuing credit, debit and prepaid cards to its customers and acquiring the right to receive reimbursement for charges made on credit, debit and prepaid cards issued by other banks. As of December 31, 2012, the Bank had the largest market share in terms of numbers of debit cards among private banks in Turkey and, as of December 31, 2012, ranked among the top three credit card issuers in Turkey in terms of number of credit cards, according to Interbank Card Center (both on a bank-only basis).

The Bank also offers various card products to its customers, including contactless cards, prepaid cards, credit cards that enable customers to earn miles and credit and debit cards specifically issued for university students. The Bank aims at establishing a lifetime relationship with its cardholders through a number of loyalty programs and technological innovations. Credit card transactions are carried out in a secure manner in line with "Europay, MasterCard, Visa" rules.

As of December 31, 2012, the Bank had nearly 6 million credit cards in issue to its own customers, representing approximately 13.1% of the total Turkish credit card market by issuance volume and approximately 10.9% by number of cards outstanding; 9.3 million debit cards, representing approximately 10.2% of the Turkish debit card market; and over 250,000 point-of-sale terminals, representing approximately 11.9% of the total Turkish market, each according to the Interbank Card Center. As of December 31, 2012, the Bank, with a 15.6% market share of the Turkish credit card market in terms of transaction volume on a bank-only basis, manages two different credit card brands, "Maximum Card" and "Maximiles," and is the fourth largest player in the market in terms of total transaction volume (source: Interbank Card Center). The Bank's wide range prepaid "MaxiPara" cards offer different solutions for various needs. The MaxiPara card is not linked to any account and, as of December 31, 2012, the Bank provides seven types of MaxiPara Cards: MaxiPara Card Ekonomik (for a consumer's own use), MaxiPara Youth (for customers 12 years old and above), MaxiPara Gift Card, MaxiPara Personalized Card (for corporate use), MaxiPara Unpersonalized Card (for corporate use) and MaxiPara Goldcard (for depositing gold).

The Maximum Card and Maximum loyalty program award customers with installment advantages and reward points, which can be redeemed in various stores. Launched in 2009, "Maximiles" targets frequent flyers, offering customers the opportunity to earn air miles with every purchase as well as the reward points and installment advantages of a regular Maximum Card. As of December 31, 2012, cardholders can use their reward points with over 90,000 merchant firms and almost 200,000 chains. With its credit card segmentation model, the Bank keeps track of its customers' spending behavior and develops specific programs for different segments.

The card business is not viewed by the Bank as an isolated product but, rather, it complements other products within the Bank's retail and corporate banking product portfolio. In monitoring a relationship with a particular customer, the Bank considers the profitability and the lifetime value of the relationship as a whole and not only with respect to the card business. The Bank's management believes that the Bank's card business is a core component of the Bank's retail banking business, driving the cross-selling of other products such as demand deposits and commercial accounts and enabling the Bank to remain competitive in the Turkish banking sector. The Bank's credit card business constitutes its largest source of gross fees and commissions income, contributing 40%, 38% and 34% of total gross fees and commissions income in 2012, 2011 and 2010, respectively.

Private Banking

The Bank offers financial solutions and investment alternatives to private banking customers based upon a "personalized service" approach. To be eligible for the Bank's private banking services, customers must have a minimum net worth of TL 250,000 as asset under management held with the Bank.

As of December 31, 2012, the Private Banking business unit accounted for TL 0.4 billion (or 0.3%) of the Group's total loans and TL 17.7 billion (or 16.7%) of the Group's total deposits.

The Private Banking business unit mainly focuses on activities regarding the diversifying of investment products to cater to the individual needs and expectations of private banking customers. The Private Banking business includes financial products and services tailored to the specific needs of its customers, including priority one-on-one service, which are consolidated under the "Privia" brand. This unit also designs and develops processes for providing high quality and customized services in the Bank's branches and other delivery channels.

The Bank services private banking customers through eight dedicated private banking branches in İstanbul, Ankara, Izmir, Antalya and Adana, and through private banking divisions set up at 22 branches in Istanbul, Ankara, İzmir, Bursa, Mersin and Hatay as of December 31, 2012. In addition, in 86 of the Bank's branches, customer relationship managers provide dedicated services solely for private banking customers.

Capital Markets Operations and Other Financial Services

The Bank (including through its financial subsidiaries) offers a diverse range of products to its retail, private, corporate and commercial banking customers with competitive pricing as well as an extensive network of branches, ATMs and kiosks and an interactive internet banking facility. In recent years, the Bank has sought to expand its stock, gold, bond, bill and repo trading and mutual fund capabilities.

As of December 31, 2012, the total value of the securities portfolio that the Bank manages for its customers was valued at TL 48,366 million, an increase of 39.15% from TL 34,756 million as of December 31, 2011 (TL 37,498 million as of December 31, 2010).

Investment Accounts. In 1990, the Bank was the first bank in Turkey to offer investment accounts for its customers. Such accounts permit customers to trade listed securities, the Bank's mutual funds and fixed income securities including government securities, gold and futures contracts traded on the Turkish Derivatives Exchange (the "*TURKDEX*") and to enter into "repo" transactions. Customers can access their investment accounts through ATMs and the Bank's interactive banking services. As of December 31, 2012, the Bank had 10.7 million investment accounts as compared to 10.1 million and 8.8 million investment accounts as of December 31, 2011 and 2010, respectively.

Fixed Income. The Bank is the leading provider of fixed-income trading services to investors in Turkey, with 23.1% of the Turkish market as of December 31, 2012 on a bank-only basis, totaling TL 16,926 million in fixed income securities under custody (source: BRSA). According to İSE data, as of December 31, 2012, the Bank claimed first place in the İSE, with a 22.7% market share in transaction volume.

The Turkish Treasury issues bonds both domestically and internationally. Its domestic issuances include zero coupon bonds and coupon bonds. Coupon bonds include inflation-linked bonds, fixed coupon bonds and floating rate notes. All types of Turkish Treasury issuances can be sold and purchased by the Bank's customers without any restriction. Repo and reverse-repo transactions for various maturities are executed on an electronic platform in the İSE Bonds and Bills Market. OTC reverse repo transactions are also offered to all of the Bank's customers.

Mutual Funds. The Bank is the leading Turkish bank in the mutual fund market with a market share of 21.6% as of December 31, 2012, totaling TL 6.5 billion (source: Rasyonet). The Bank offers 31 mutual funds catering to a wide range of risk and return profiles. As of December 31, 2012, the Bank had over 826,000 investors, up from 801,000 as of December 31, 2011 and 693,003 as of December 31, 2010.

As of December 31, 2012, the Bank had 23 Type-B funds, 8 of which were capital protected mutual funds, and the Bank was the largest Type-B fund provider in Turkey with a portfolio size of TL 6.0 billion, achieving a 20.9% market share, the largest within its peer group (source: Rasyonet). As of the same date, the Bank's money market funds had a portfolio size of TL 4.6 billion, making the Bank the largest fund in the Turkish mutual funds market according to Rasyonet. Meanwhile, as of December 31, 2012, the portfolio size of the Bank's Type-A Funds was TL 500 million and the Bills and Bonds Funds was TL 900 million.

The İşbank Moneybox Fund was the first fund in Turkey to be geared towards children. As of December 31, 2012, the Bank had six equity ("*Type-A*") mutual funds. As of December 31, 2012, the İşbank Moneybox Fund was the largest

Type-A fund in Turkey with 243,000 investors and a portfolio size of over TL 359 million, and the İşbank Affiliate Fund was the fifth largest Type-A fund in Turkey with a portfolio size of TL 62 million (source: Rasyonet).

The Bank also has a leading role in environmental and social responsibility projects in Turkey. As a major player in the mutual fund sector, in May 2008, the Bank introduced the "Invest in Environment Fund" (the Type-B TEMA Environmentally Responsible Fund), Turkey's first mutual fund to be focused on the environment and social responsibility. As of December 31, 2012, this fund had over 1,300 investors and a portfolio size of TL 9.5 million.

Odd-Lot Equity Trading. The minimum trade size of a stock on the İSE is 1 share with a nominal value of TL 1. All stocks traded below this level are considered as "odd-lots" and can be traded via licensed institutions. According to İSE data, as of December 31, 2012, the Bank was the leading Turkish market participant in "odd-lot" trading with a market share of around 99%

Custody. The Bank has been the leading custody provider in Turkey since the re-activation of the İSE in 1986. The investment account system, which is unique to the Bank, offers custody facilities for a full range of securities, including equities, mutual funds, derivatives, gold, bonds and bills as well as repo transactions.

In addition to domestic custody services, as an SEC (U.S. Securities and Exchange Commission)-qualified bank, the Bank is also one of the main providers of custodial services to non-resident institutional investors. Services offered to non-resident institutional investors include settlement, clearing and safekeeping services, SWIFT reporting, prudent cash management, foreign exchange transactions, legal bookkeeping, corporate action processing/income collection, proxy voting and the provision of up-to-date market information.

In January 2008, the CMB authorized the Bank to act as a "Portfolio Custody Institution" for asset management companies. Within the scope of this role, the Bank provides settlement, clearing and safekeeping services for the assets of individual and corporate investors managed by asset management companies.

Gold Trading. The Bank is an active gold trader on the İSE. The Bank's management believes that as of December 31, 2012, the Bank had the largest market share among all banks in Turkey in terms of the total gold balance of its deposit and investment accounts. As of December 31, 2012, the Bank held a total of 40 tons in gold for over 381,000 customers. The Bank trades gold on the İSE as well as on the international OTC market and settles trades on both a physical basis and a cash basis.

Investment Banking and Capital Markets Operations. The Bank provides capital market services and investment banking services through its Capital Markets Division and its subsidiaries İş Yatırım Menkul Değerler A.Ş. (" *İş Yatırım*") and İş Portföy Yönetimi A.Ş. ("*İş Portföy*"). Türkiye Sınai Kalkınma Bankası A.Ş. (" *İş TSKB*"), another subsidiary, is also active in Turkish capital markets and investment banking operations.

Capital Markets Operations and Other Financial Services Competition. As of December 31, 2012, according to figures of Rasyonet, the Bank had the largest market share of 21.6% in the mutual funds market with TL 6.5 billion total asset size.

International Banking. The Bank's International Banking division manages the Bank's correspondent banking relationships, its international fund raising activities and its overseas banking activities.

The Bank is the first Turkish bank that opened overseas branches, established branches in Alexandria and Hamburg in 1932. The Bank's global expansion strategy is to become first a regional bank, then an international bank. As such, the Bank studies the international markets with a special focus on the neighboring regions and has taken important initiatives in recent years. Currently, in addition to Turkey, the Bank operates in 14 countries with branches, representative offices and two financial subsidiaries having a total of 50 branches and 2 representative offices. The Bank has 14 branches in the Turkish Republic of Northern Cyprus and one branch in each of Bahrain, London, Arbil (Iraq), Batumi (Georgia) and Phristina (Kosovo). The Bank's representative offices are located in Cairo and Shanghai. In addition to its existing global network, the Bank has ongoing overseas expansion activities, including being in the process of opening branches in Baghdad and Duhok (Iraq), Tbilisi (Georgia) and Taşkınköy (Turkish Republic of Northern Cyprus).

As of December 31, 2012, the Bank's network of correspondent banks comprised more than 1,500 banks in over 125 countries. This worldwide coverage through its correspondent banks, coupled with the Bank's own extensive network, resulted in incoming foreign currency transfers at the Bank of US$111.4 billion and outgoing foreign currency transfers of US$68.0 billion during 2012. The Bank is a major player in international trade finance and handles a sizable portion of the trade finance activities in Turkey. The Bank's management believes that the Bank is one of the few Turkish banks that are active in trade finance, and had a market share in trade finance of more than 10% according to December 2012 data from TurkStat. As part of its international banking activities, the Bank acted as the financial intermediary in connection with approximately US$22.6 billion of import and US$19.0 billion of export transactions in 2011 and handled approximately US$24.2 billion of import and US$18.3 billion of export transactions in 2012. The Bank also has arrangements with all major export credit agencies that are active in Turkey.

As part of the Bank's international fund raising activities, the Bank obtains funds through syndicated term loan facilities, future flow transactions, eurobonds, multilateral institutions and export credit agencies, as well as bilateral transactions. For further information, see "Funding."

Own-Account Securities Portfolio

In addition to securities held for customers, the Group manages its own portfolio of securities. As of December 31, 2012, the Group's total securities portfolio was valued at TL 44,783 million, a decrease of 8.1% from TL 48,721 million as of December 31, 2011 (TL 51,814 million as of December 31, 2010).

As of December 31, 2012, the Bank's securities portfolio was comprised of Turkish Lira-denominated floating rate securities (51.0%), Turkish Lira-denominated discount and fixed securities (32.3%), foreign currency-denominated discount and fixed securities (13.5%) and foreign currency-denominated floating securities (3.2%). Turkish government bonds and Turkish government treasury bills constituted approximately 96.4% of the Bank's total securities portfolio as of December 31, 2012. Moreover, approximately 69.2% of the Bank's total securities portfolio was classified as "available for sale" as of December 31, 2012.

Subsidiaries and Affiliates

Since its establishment in 1924, the Bank has played an important role not only in the Turkish financial sector but also in certain industrial sectors in Turkey. The Bank has pioneered the development of a number of new areas of business through investments and equity participations in the industrial and financial services sectors. Since its establishment, the Bank has invested in the equity of almost 300 companies and, over time, has divested all but 27 of these companies. As of December 31, 2012, the Bank's direct equity interests were in companies operating in finance, glass, telecommunications and other industrial and services sectors, of which five companies are classified as available-for-sale securities. As of December 31, 2012, the total book value of the Bank's equity participations was TL 7,700 million.

Other than the strategic non-financial equity participations described under "Non-financial participations" below, the majority of the Bank's non-financial equity participations are held as medium-term investments. The Bank continually evaluates opportunities to divest its stakes in these non-strategic equity participations under favorable conditions.

Financial Participations

The Bank has direct and indirect financial services subsidiaries active in the following sectors: banking, brokerage and custody, investment banking, leasing, factoring, insurance, private pension, reinsurance, real estate investment trust asset management and venture capital. Financial services subsidiaries enrich the product and service range that the Bank offers to its customers through its various business lines and create cross and complementary product delivery and sales opportunities.

The following table sets forth details of the Bank's financial participations as of December 31, 2012.

Group Company	Field of Activity	Bank's Direct Share	Group's Share	Assets(1)	Shareholders' Equity	Market Share
				(*US$ thousands*)		
Türkiye Sınai Kalkınma Bankası A.Ş.	Investment Banking	40.52%	50.00%	6,082,531	1,075,071	20.58%(1)
İşbank AG	Banking	100.00%	100.00%	1,338,551	146,810	N/A
CJSC İşbank	Banking	100.00%	100.00%	206,358	61,203	N/A
Anadolu Anonim Türk Sigorta Şirketi	Non-Life Insurance	-	57.31%	1,317,700	341,881	13%(2)
Anadolu Hayat Emeklilik A.Ş.	Life Insurance & Private Pension	62.00%	83.00%	4,048,681	296,631	21%(10)
Milli Reasürans T.A.Ş.	Reinsurance	76.64%	77.06%	2,099,094	515,847	18%(11) (12)
İş Yatırım Menkul Değerler A.Ş.(3)	Brokerage House	65.65%	70.69%	2,343,723	487,804	7.6%(4)
Yatırım Finansman Menkul Değerler A.Ş.	Brokerage House	-	98.42%	312,730	38,151	1.9%(4)
İş Yatırım Ortaklığı A.Ş.	Securities Investment Trust	-	36.60%	162,197	161,573	40%(5)
İş Portföy Yönetimi A.Ş.	Asset Management	-	100.00%	39,154	38,006	21.5%(6)
İş Finansal Kiralama A.Ş.(3)	Leasing	27.79%	57.39%	1,580,012	316,974	5.5%(7)
İş Factoring Finansman Hizmetleri A.Ş.	Factoring	-	100.00%	583,268	33,459	5.3%(8)
İş Gayrimenkul Yatırım Ortaklığı A.Ş.(3)	REIT	42.23%	58.04%	779,796	599,374	5.7%(9)
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.(3)	Venture Capital Inv.Trust	-	57.67%	208,702	140,533	N/A
Total				**20,711,996**	**4,186,156**	

(1) Total Assets (derived from the BRSA's website)
(2) Gross written premiums (derived from data published by The Insurance Association of Turkey)
(3) Consolidated amounts.
(4) Transaction volume (derived from the İSE's website)
(5) NAV (derived from the CMB's website and the Public Disclosure Platform of the İSE)
(6) Funds under management (derived from the CMB's website)
(7) Transaction volume (derived from the Turkish Leasing Association)
(8) Transaction volume (derived from the Turkish Factoring Association)
(9) Market Value (derived from the Public Disclosure Platform of the İSE)
(10) Total amounts of participants' funds.
(11) Gross written premiums.
(12) Milli Reasürans T.A.Ş. is the sole Turkish reinsurance company operating in Turkish insurance sector with a domestic market share of 18%. The remaining amount is shared by foreign reinsurance companies.

Insurance. The Group provides its customers non-life and life insurance services through the Bank's insurance subsidiaries, Anadolu Anonim Türk Sigorta Şirketi ("*Anadolu Sigorta*") and Anadolu Hayat Emeklilik A.Ş. ("*Anadolu Hayat*"). In addition to insurance services, the Group also provides reinsurance services through Milli Reasürans T.A.Ş. ("*Milli Reasürans*").

Non-Life Insurance. Established in 1925, Anadolu Sigorta offers a range of non-life insurance policies including fire and natural disaster, transport, accident, engineering, agriculture, health, general damage and other insurance products. The Bank has an indirect control over Anadolu Sigorta through its subsidiary Milli Reasürans, which has a 57.31% share in the company. Anadolu Sigorta is the second largest non-life insurance company in Turkey with a 13.06% market share in terms of gross written premiums in the non-life insurance market as of December 31, 2012 (source: The Insurance Association of Turkey). Anadolu Sigorta had gross written premiums of TL 2,235 million and TL 1,926 million for 2012 and 2011, respectively.

For 2011 and 2012, Anadolu Sigorta recorded net losses of TL 1 million and TL 56 million, respectively, on a consolidated basis. Anadolu Sigorta's products are distributed through its approximately 2,700 agents and through the Bank's and other contracted banks' branches.

Life Insurance and Private Pension. Anadolu Hayat was established in 1990 and offers life insurance and private pension policies. As of December 31, 2012, Anadolu Hayat was the second largest life insurance company in Turkey with a 13.54% market share in the life insurance market according to data published by The Insurance Association of Turkey and the largest private pension fund in Turkey with a 21.05% market share as of the same date, according to data provided by the Pension Monitoring Center. The Bank owns a 62.0% equity interest in the share capital of Anadolu Hayat as of December 31, 2012. For 2012, Anadolu Hayat had gross written premiums of TL 367 million and for 2011 it had gross written premiums of TL 348 million. For 2012, Anadolu Hayat had pension contribution income of TL 703 million and for 2011 it had pension contribution income of TL 656 million.

For 2011 and 2012, Anadolu Hayat recorded a net profit of TL 63 million and TL 81 million, respectively, on a consolidated basis. Anadolu Hayat insurance and pension products are distributed through its approximately 250 agents and through the Bank's and other contracted banks' branches and financial planning specialists.

Reinsurance. Milli Reasürans was established in 1929 to manage compulsory reinsurance transactions within Turkey. Milli Reasürans is the only active reinsurance company resident in Turkey fulfilling approximately 18% of the industry's need for reinsurance coverage as of December 31, 2012 (source: Milli Reasürans and The Insurance Association of Turkey). Since 1991, Milli Reasürans accepts business on a voluntary basis from Turkish insurance companies. As of December 31, 2012, the Bank owned a 76.6% direct interest in the share capital of Milli Reasürans. Its Singapore branch, opened in 2007, marks the first step of Milli Reasürans' plans to expand its presence beyond national borders. Milli Reasürans had gross written premiums of TL 992 million for 2011 and TL 1,031 million for 2012. As of December 31, 2012, the company recorded net profit of TL 39 million on a consolidated basis. In April 2013, A.M. Best affirmed Milli Reasürans' financial strength rating as "B+" and no longer under review while S&P raised Milli Reasürans' national scale rating to "trAA+".

Investment Banking

TSKB is an equity participation in which the Bank held a 40.5% direct interest and a 50.0% group share as of December 31, 2012. TSKB's ordinary shares have been listed on the İSE since 1986, and as of December 31, 2012 54.06% of TSKB's shares were traded on the İSE and the remaining were minority shares. Founded in 1950, TSKB was the first investment bank founded in Turkey. As of December 31, 2012, TSKB was the largest private investment bank in Turkey in terms of total assets with total assets of TL 10,857 million and a 2012 net income of TL 325 million in consolidated figures (source: Turkish Banks Association). TSKB is principally involved in providing long-term project financing for the domestic and international investments of Turkish companies as well as providing foreign currency and Turkish Lira-denominated loans to the Turkish industry. TSKB is also involved in capital market intermediary activities, portfolio management and corporate finance advisory services. TSKB's investment banking activities include intermediation in the sale of bonds, shares and other instruments of Turkish companies by public offer or block sale. TSKB provides consultancy services to domestic and foreign corporations, including locating strategic or financial partners and advising on company mergers and privatizations.

In addition, TSKB is the first Turkish-owned bank certified to ISO 14001 (the International Organization for Standardization's certificate for Environment Management Systems) based upon its environmental management system. TKSB, which has adopted environment concepts and sustainable banking as a part of its policies, is one of three banks nominated for the "Financial Times Sustainable Banking Awards" (Europe region category). In addition, TSKB has received awards in the "Developing Countries" category of the same competition in 2008, 2009 and 2010. TSKB also won recognition as the "Best Equity House in Turkey" in the EMEA Finance 2010 European Banking Awards and the "Best Solution Partner Prize" in TIREC's 2011 "Wind Power Awards Turkey." Moreover, TSKB won a bronze prize within the context of the 2nd Sustainability Report Astrid Awards in April 2012. In January 2013, TSKB was recognized as the company with the 3rd highest corporate governance rating score at the 6th International Corporate Governance Summit organized by the Corporate Governance Association of Turkey. Also, TSKB recently was appointed to the board of directors of the 'United Nations Global Compact' for the years between 2013 and 2016.

Real Estate Investment Trust

İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("*İş REIT*") is a real estate investment trust in which the Bank had a direct equity shareholding of 42.23% as of December 31, 2012. According to the Public Disclosure Platform of the İSE, İş REIT was the third largest real estate investment trust in Turkey with an asset value of US$780 million as of December 31, 2012. The real estate portfolio of İş REIT, from which the company earns rental income, is comprised of office spaces and commercial properties, such as bank branches and shopping centers located in İstanbul and other Turkish cities. The İş Tower complex in İstanbul where the Bank maintains its headquarters is partially owned by İş REIT. İş REIT has also been developing a residential project in İstanbul and a mixed project comprised of a shopping mall and residential units in İzmir.

Leasing

İş Finansal Kiralama A.Ş. (" *İş Leasing*") was established in 1988 as a joint venture among the Bank, Société Générale and the International Finance Corporation. The latter two entities sold their interests in 1995 and, as of

December 31, 2012, the Bank held a 27.79% direct equity interest and a 57.39% group share in the company, while the remaining shares are traded on the İSE. As of December 31, 2012, the consolidated total assets and equity of İş Leasing amounted to TL 2,820 million and TL 566 million, respectively. Net current leasing receivables amounted to TL 1,391 million as of the same date. As of December 31, 2012, the distribution of leased assets by equipment categories as a percentage of total leased assets in the company's portfolio were as follows: machinery and construction (42%), real estate (23%), transportation (12%) and other sectors (23%).

Brokerage and Custody

The Bank owned 65.65% of the share capital of İş Yatırım as of December 31, 2012, which commenced operations on December 18 1996 following the implementation of capital market regulations requiring Turkish banks to conduct certain capital market activities through separate legal entities. An initial public offering of İş Yatırım's shares was held in May 2007 on the İSE. İş Yatırım was the first investment banking institution with its securities traded on the İSE. İş Yatırım's principal capital market activities are equity-related businesses and asset management.

İş Yatırım also trades fixed income securities, including government bonds, treasury bills and repurchase contracts, for institutional and individual clients other than the Bank. İş Yatırım also provides services in equity brokerage, corporate finance transactions (including privatizations, initial public offerings and listings on the İSE, international sales and trading of securities) and produces nationwide industry and company-specific research reports. In order to benefit from business opportunities in international capital markets, İş Yatırım established a financial subsidiary in London on August 8, 2005 under the name of Maxis Securities Ltd.

In 2012, according to data provided by the İSE, İş Yatırım had the following market shares in organized exchange transactions: 7.6% in İSE equity transactions, 12.4% in the "Outright Purchases and Sales" market of the "Bills & Bonds" market among brokerage houses and 14.8% in the stock futures market of the TURKDEX. According to data provided by the İSE, İş Yatırım was the market leader among licensed brokerage firms in Turkey in terms of equity trading volume in 2012. İş Yatırım was one of the founding partners of the TURKDEX, which commenced its operations in February 2005, and as of December 31, 2012 it continues to be the leading brokerage firm in terms of trading volume realized since the foundation of the market. İş Yatırım's consolidated net sales and net profit figures for 2012 were TL 36.0 billion and TL 137.4 million, respectively, while its consolidated assets and equity amounted to TL 4.2 billion and TL 870.7 million, respectively. In addition, as of December 31, 2012, İş Yatırım was the largest licensed brokerage firm in Turkey in terms of its paid-in capital, which was TL 286 million (source: Union of Turkish Brokerage Firms). In December 2012, Fitch Ratings Ltd. confirmed İş Yatırım's national long-term rating as "AAA."

Banking

Headquartered in Germany, İşbank AG was founded in 1992 as a wholly-owned subsidiary of the Bank. İşbank AG serves in key trading and financial markets with its European network of 13 branches in Germany and one branch in each of The Netherlands, France, Switzerland and Bulgaria. One of İşbank AG's main priorities is the promotion of close commercial and business ties between Europe and Turkey. As of December 31, 2012, total assets and equity figures for İşbank AG were €1,016 million and €111 million, respectively.

As a way of expanding its banking activities in the region, on April 27, 2011 the Bank purchased 100% of the shares of Closed Joint Stock Company Bank Sofia operating in Russia after approval by the BRSA, the Russian Government Commission and the Russian Central Bank. The name of the bank was changed to Closed Joint Stock Company İşbank in October 2011. Headquartered in Moscow, the bank has four branches and nine affiliate branches in Moscow, St. Petersburg, Saratov, Balakovo, Samara and Novosibirsk. As of December 31, 2012, the bank had 311 employees and its total assets and equity amounted to 6,306 million Russian Rubles and 1,870 million Russian Rubles, respectively. The primary aim of the bank is to enhance and develop its corporate and commercial relationships with Turkish companies operating in Russia and with its Russian customers, and also to develop retail banking activities throughout Russia.

Other Financial Participations

The following table sets forth certain information, as of December 31, 2012, on other financial companies in which the Bank or the Bank and its subsidiaries and other affiliates own 20% or more of the outstanding share capital.

Company	Bank's Share	Shares owned by the Bank and the Bank's affiliates	Sector
Arap Türk Bankası A.Ş	20.58%	20.58%	Banking
İş Factoring Finansman Hizmetleri A.Ş	—	100.00%	Factoring
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş ..	—	57.67%	Venture Capital Inv. Trust
İş Portföy Yönetimi A.Ş	—	100.00%	Asset Management
İş Yatırım Ortaklığı A.Ş	—	36.60%	Securities Investment Trust

Banking. Arap Türk Bankası A.Ş. functions mostly in commercial and corporate banking. The Bank does not have a control share in the bank and the Bank's direct share in the total capital of the bank was 20.58% as of December 31, 2012, which also indicates the Group's group share in the bank. As of December 31, 2012, consolidated total assets and equity of the bank amounted to TL 2,809 million and TL 421 million, respectively.

Factoring. The Bank has a 100% indirect group share in İş Factoring Finansman Hizmetleri A.Ş. ("*İş Factoring*"). The company had TL 1,041 million in total assets and TL 60 million in equity as of December 31, 2012, while its factoring receivables amounted to TL 1,015 million as of the same date. İş Factoring is fully consolidated under İş Leasing.

Venture Capital Investment Trust. İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("*İş Girişim*") is a venture capital investment trust that was established in 2000 according to CMB rules as Turkey's largest private equity fund. A 37.69% stake of İş Girişim was floated on the İSE in 2004. The Bank holds a group share of 57.67% in the company through its subsidiaries, holding a paid-in capital amount of TL 57.96 million as of December 31, 2012.

Being one of the most active and the very few local private equity houses, İş Girişim partners with Turkish companies to help them not only in Turkey but also globally to compete in their respective industries by sourcing acquisitions, enhancing operational efficiencies, facilitating new market expansions and designing the optimal capital structure to support them during the execution of their strategies.

İş Girişim's consolidated net profit for 2012 was TL 51.3 million while its consolidated assets and equity as of December 31, 2012 amounted to TL 372.5 million and TL 250.94 million, respectively.

Asset Management. İş Portföy was founded in October 2000 as a subsidiary of the Bank. All of İş Portföy's shareholders are subsidiaries of the Bank. The company provides discretionary and non-discretionary asset management services solely to institutional investors. Backed by experienced asset managers who inherited the Bank's mutual fund management know-how in Turkey, the company is the leader in its sector.

The size of assets managed by İş Portföy reached TL 12.1 billion as of December 31, 2012. İş Portföy manages 25 of the Bank's mutual funds from various risk categories and, as of December 31, 2012, had a market share of assets under management of 21.5% in a market size of TL 56.4 billion according to the CMB. Also, together with various pension funds that it manages for Anadolu Hayat, as of December 31, 2012 İş Portföy captured a 19.6% market share out of a market size of TL 20.4 billion according to the CMB.

İş Portföy's operating income and net profit figures for 2012 were TL 5.4 million and TL 9.6 million, respectively, while its assets and equity as of December 31, 2012 amounted to TL 69.9 million and TL 67.8 million, respectively.

Securities Investment Trust. İş Yatırım Ortaklığı A.Ş. ("*İş Yatırım Ortaklığı*") is a securities investment trust that was founded in August 1995 and went public on the İSE in 1996. The Bank has an indirect control over İş Yatırım Ortaklığı through its subsidiaries. İş Yatırım Ortaklığı manages a portfolio composed of capital market instruments, gold and other precious metals and has the largest portfolio in the sector with a market share of 40.0% in a market size of TL 721 million as of December 31, 2012 according to the CMB. İş Yatırım Ortaklığı's net profit for the period ended December 31, 2012 was TL 47.5 million while its assets and equity amounted to TL 289.5 million and TL 288.4 million, respectively.

Non-Financial Participations

In addition to its equity participations in the financial sector, the Bank holds equity stakes in companies whose businesses (such as glass and telecommunications) are outside of its core operations. In the past, the Bank has entered into a number of diversified equity participations as part of the promotion and development of Turkish industry and in areas in which its management believes investments provide a competitive rate of return. On rare occasions, the Bank has entered into equity participations with the aim of collecting its loans through debt-for-equity swaps. The Bank's non-financial participations represented 2.39% and 2.36% of its total assets as of December 31, 2012 and 2011, respectively. For 2012 and 2011, total dividend income received from its non-financial participations constituted 5.9% and 6.0%, respectively, of the Bank's net income. As of December 31, 2012, significant strategic non-financial equity participations of the Bank were the Şişecam Group and 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, in Şişecam's case, in neighboring areas. 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 market values for publicly traded non-financial participations and at their book values for the other non-financial participations in the consolidated BRSA Financial Statements.

Glass – Şişecam Group. As of December 31, 2012, the Bank held a 65.47% stake in the Şişecam Group, which it founded in 1935. With total assets of US$4,893.4 million as of December 31, 2012, the Şişecam Group operates mainly in the area of glass manufacturing (including flat glass, glassware and glass packaging) and the production of fiberglass, soda ash and chromium chemicals. The Şişecam Group's production facilities are located in nine countries, namely Turkey, Egypt, Russia, Georgia, Bulgaria, Bosnia Herzegovina, Italy, Ukraine and Romania. Depending upon product category, Şişecam's ranking in terms of glass production capacity varies from third to sixth globally and from second to fourth within Europe according to company-specific analysis derived from various external sources.

Telecommunications – Avea. As of December 31, 2012, the Bank together with its subsidiaries and other affiliates held 10.00% of the share capital of Avea and the remaining shares were owned by Türk Telekom. The Bank's standalone share in Avea's paid-up capital was 7.44% as of such date. Avea is one of the three GSM operators active in Turkey and was created through the merger of İş-Tim Telekomünikasyon Hizmetleri A.Ş. with Aycell Haberleşme ve Pazarlama Hizmetleri A.Ş. in February 2004. The merger created significant operational and financial synergies following the integration, creating a new entity (Avea) with significant increases both in network coverage and market share. As of December 31, 2012, Avea had approximately 13.5 million subscribers and a 20% market share in the Turkish GSM market according to the "Electronic Communications Market in Turkey Report" published by Information and Communications Technologies Authority.

Others. The following table sets forth certain information, as of December 31, 2012, about the other non-financial companies in which the Bank or the Bank's subsidiaries and other affiliates own(s) 20% or more of the outstanding share capital. None of these investments represent more than 0.15% of the Bank's assets as of such date.

Company	Bank's Share	Shares owned by the Bank and the Bank's affiliates	Sector
Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik San. Tic. A.Ş	99.89%	99.99%	Food
Bayek Tedavi Sağlık Hizm. ve İşl. A.Ş	86.90%	98.29%	Health Care Services
CamişYatırım Holding A.Ş	99.97%	100.00%	Holding
İş Merkezleri Yönetim ve İşletim A.Ş	86.33%	100.00%	Facility Management
İş Net Elek. Bilgi Üretim Dağ.Tic.ve İletişim Hizmetleri A.Ş	94.65%	100.00%	Information Technologies
Softtech Yazılım Tek. Ar-Ge ve Yaz. Paz. Tic. A.Ş.	—	100.00%	Software
Trakya Yatırım Holding A.Ş	65.34%	100.00%	Holding
Mipaş Mümessillik İth. İhr. ve Paz. A.Ş	99.98%	100.00%	Real Estate Development
Nemtaş Nemrut Liman İşletmeleri A.Ş	99.81%	100.00%	Shipping
Kültür Yayınları İş Türk Ltd. Şti	99.17%	100.00%	Publication

Channel Management

As of December 31, 2012, the Bank, with its 1,231 domestic branches, had the most extensive branch network of all private sector banks in Turkey with branches in every city in the country (source: Turkish Banks Association). As of the same date, the Bank was the leading private sector bank in terms of the number of branches in 77 cities out of 81. Unlike most of its competitors, in addition to the branches in large cities, the Bank also has branches in rural districts.

Below is a table presenting the number of branches that the Bank has in each region of the country (plus foreign branches) as of December 31, 2012:

Regions	**Branches**
Marmara	483
Central Anatolia	217
Aegean	188
Mediterranean	140
Black Sea	107
South East Anatolia	56
Eastern Anatolia	40
Foreign Branches	19
Total	**1,250**

The Bank opened 54 (five branches were consolidated with other branches in 2010), 63 (six branches were consolidated with other branches in 2011) and 47 (no branches were consolidated with other branches in 2012) new branches across Turkey in 2010, 2011 and 2012, respectively, and it plans to open 45 to 50 domestic branches in 2013. As well as developing its internet, telephone and mobile banking services in recent years, the Bank has maintained a strong focus on expanding its branch network, which it considers to be its core marketing and selling unit. Customer relationships are usually initiated and maintained at the branch level while technical and marketing support or expertise needed to enhance customer relations is provided by the head office.

The Bank's domestic branches are arranged in the following categories depending upon the structure of their target markets and target customer segments and the variety of services provided:

- *Corporate Branches – 10 branches as of December 31, 2012*. These branches provide specialized services to companies the meet the corporate qualification and size criteria determined by the Bank's head office.

- *Commercial Branches – 39 branches as of December 31, 2012*. These branches provide specialized services to companies within the commercial segment that meet the commercial qualification and size criteria determined by the Bank's head office.

- *Private Banking Branches – 8 branches as of December 31, 2012*. These branches provide tailored services to customers falling within the high net worth segment according to criteria determined by the Bank's head office as well as customers identified as being potential high net worth customers.

- *Mixed Branches – 1,174 branches as of December 31, 2012*. These are non-specialized branches whose services are not solely geared towards a specific segment of customers.

Branch openings are closely co-ordinated with ATM installation and electronic banking expansion. In terms of installing ATMs, priority is given to branches where it is possible to shift the workload to ATMs.

In addition to its nationwide branch network, the Bank places great importance on its alternative distribution channels, including telephone banking, mobile banking ("*İşWap*," "*İşCep*" and "*İşPad*"), internet banking, ATMs and kiosks. Kiosks are similar to ATMs but without any facility for the withdrawal of funds.

The Bank had over 4,850 domestic ATMs as of December 31, 2012. Based upon data provided by the Interbank Card Center, as of December 31, 2012, the Bank maintained the largest ATM network in Turkey among private commercial banks, with a market share of 13.35%. From October 1, 2009, debit card users were able to withdraw money from their bank accounts via all ATM's from all banks nationwide. Transactions via different banks' ATMs are subject to a fee determined by the cardholder's bank. The Bank's management believes that in having the largest ATM network and nationwide coverage, the Bank has been one of the banks that benefits the most from this change.

The Bank takes part in an arrangement that allows the debit card customers of various banks to use all participating banks' ATMs. As of December 31, 2012, the Bank had over 250,000 point-of-sale terminals.

Below is a table presenting the Bank's percentage allocation of distribution channels (by transaction numbers) for the periods indicated:

	2010	2011	2012
Branches	30%	25%	22%
Non-branch	70%	75%	78%
ATMs	30%	30%	32%
Internet	35%	40%	40%
Telephone	1%	1%	2%
Call Center	4%	4%	4%

The Bank innovated non-branch banking in Turkey when its first "Bankamatik" ATM was introduced in 1982. The Bank was also the first bank in Turkey to offer: (a) among other services, remote stock exchange transactions through its alternative distribution channels, (b) WAP telephone banking transactions, a Java-based mobile phone banking service and a banking application for iphone/ ipad touch called as İşCep, and (c) a mobile signature application that enables cardless cash withdrawal and facilitates borrowing without the need to visit a branch. Recently, two motivations based upon code technology were introduced for İşCep - one that is called "Parakod," which enables online and point of sale payment with a credit card without actually using a card and just using an application in smartphone app, and the second is a cardless cash withdrawal using code technology on ATMs. The Bank's management believes that the Bank offers a wider range of banking services through its ATM network and online/mobile banking channels than any of its competitors.

All of the Bank's retail banking services and a substantial portion of the Bank's corporate banking services are fully computerized. All of the Bank's points of service, including branches and alternative distribution channels (including ATMs, point-of-sale terminals and call centers) are linked to the Bank's main data center located at its head office in Istanbul, which gives the Bank the ability to centrally monitor and analyze services, while allowing most transactions to be executed on a real-time, online basis. As of December 31, 2012, the Bank offered remote services in respect of more than 340 transactions that may be executed over the telephone or the internet and more than 90 transactions may be executed over "İşCep" (mobile banking).

Information Technology

The Bank's technology operations and initiatives are managed by its IT division. This division employed almost 550 personnel, including approximately 300 professionals dedicated to installing, maintaining and operating the Bank's software applications, management information and security systems and branch IT systems as of December 31, 2012. In addition, two subsidiaries (Softtech and İşnet) provide application development and maintenance project management and systems operations/infrastructure services, respectively.

There is a continuous effort to implement and operate best practices such as COBIT, ITSM and CMMI, which are the most widely accepted development, service delivery, service support and IT governance standards. Most critical operational data and software are stored on mainframe computer systems. Currently, about 3400 Windows /AIX–based servers are installed to host or support collaboration, e-mail, database, reporting services, applications servers, general ledger, payment systems, core banking, call center, customer relationship management ("*CRM*"), internet banking web hosting of the Bank's websites and interactive voice response applications ("*IVR*"). The IT department of the Group reduced hardware-caused outages maintenance, power, space and other costs with increasing the ratio of virtualized servers. WAN infrastructure is totally renewed and VOIP has become widespread.

The Bank's main data center is located at its head office in İstanbul. The data center at the head office is the main IT operation center and connection point for the internet and the Bank's branches. The Bank also maintains other operation centers in İstanbul, which are used for certain business operations and a call center.

The Bank has a contract with IBM to provide a disaster recovery solution for the Bank's critical systems. The IBM-operated center is located in İzmir, Turkey. In the event of a disaster, natural or otherwise, whereby the Bank cannot operate its technology infrastructure, the IBM system is designed to act as a surrogate technology backbone providing all of the Bank's services to the branches and electronic banking systems. The IBM system is designed to allow the Bank to operate under as close to normal conditions as possible during such a disaster, although this system has never been required to date.

Since 2002, J2EE-based application servers have been chosen as the strategic growth platform for core business applications and service-oriented architecture (SOA) backbone. In recent years, many end user applications have been improved and modernized in both user interface and back office services by taking advantage of this new SOA backbone. The data warehouse was renewed in 2010 using IBM's BDW data model, and the Bank has established a strong presence in the mobile banking market with the İşCep mobile application brand.

The Bank has continued to invest in IT and new technologies to maintain its competitive position in the Turkish banking sector. The Bank's IT infrastructure is being continuously improved.

Lending Policies and Procedures

Credit Approval and Monitoring

The credit evaluation process in the Bank is designed in accordance with its lending policies, which are, in turn, based upon the principles of security, liquidity, profitability and credit risk rating. The credit evaluation process starts at the branch level but, in accordance with credit authorization levels, may end within the branch, with the Consumer Loans Underwriting division, the SME Loans Underwriting Unit Regions, the SME Loans Underwriting division, the Corporate or Commercial Loans Underwriting divisions, the Credit Committee (which is comprised of the Deputy Chief Executive Officer or the Chief Executive Officer and two members of the Board of Directors) or the Board of Directors. These units are also supported by the Financial Analysis (company analysis), Economic Research (sector analysis) and Risk Management (credit risk analysis) divisions. For further discussion on our risk management policies, see "Risk Management."

The following table indicates the credit approval letter that is required, which is based upon the size of the credit:

	Authorization Limit
Board of Directors	> US$30,000,000
Credit Committee	≤ US$30,000,000
Chief Executive Officer	≤ US$20,000,000
Deputy Chief Executive	≤ US$12,000,000
Corporate, Commercial, SME and Consumer Loans Underwriting Division Managers	≤ US$8,000,000
Corporate and Commercial Loans Underwriting Division Unit Managers	≤ US$4,000,000
SME and Consumer Loans Underwriting Division Unit Managers	≤ US$3,000,000
Corporate, Commercial and SME Loans Underwriting Division Assistant Managers	≤ US$1,000,000
Consumer Loans Underwriting Division Assistant Managers	≤ US$500,000

In addition, the Bank's branches have limited authority to extend credit in the range of US$4,000 to US$1,000,000 according to their credit extension capacities.

Prior to extending credit, each loan application is assessed initially at the branch level. The analysis undertaken takes into consideration a number of criteria, including three years of financial statements of potential borrowers, standard credit ratios, levels of existing indebtedness, the prior relationship of the proposed borrower to the Bank, past credit history, various documentation relating to the operation of a potential borrower's business, the quality of the proposed security, if any, and evidence of income, good health and personal statistics in the case of individual loans. In each case, the loan application form is then forwarded to the person(s) or committee with the authority to approve the loan. Loan authorities may revise the terms of the proposed loan or may request additional collateral before deciding whether to grant the loan. The decisions of credit offices are facilitated by the works of the Credit Information and Financial Analysis (company analysis), Economic Research (sector analysis) and Risk Management (credit risk analysis) divisions.

Corporate and commercial customers whose assigned loan limits exceed US$1,000,000 or net sales exceed US$8,000,000 are graded by a detailed credit risk rating system. Loans are extended only to firms that have a risk rating between A+ and C (on a scale of A+ to D), and these ratings are reviewed annually. For SME customers with lower loan limits and for consumer loans, the Bank uses an internal scoring system, where SME and micro business loan customers are scored with SME and micro application scorecards. Both of the scorecards are divided into three score bands according to the following levels of risk potential: (a) insufficient, (b) moderate and (c) high. The scorecards are applied for each credit proposal of the firms in these segments and the output of the scorecard is used as a decision support system in the underwriting process. For consumer loans, credit risk analysis is carried out initially at the branch level. Where the credit amount exceeds the relevant branch's consumer loan limit, loan offers are passed to the Head Office Consumer Loan division for consideration and approval. Customers' credit bureau records, the Bank's application scorecard results, Central Bank records and payable installment amount (among others) are taken into account when assessing risk.

The Bank's senior management regularly monitors the overall quality of its loan portfolio. In order to detect deteriorating positions in its corporate, commercial and SME loan portfolio in a more timely and efficient manner, a behavioral model based upon data from the Central Bank's Risk Centralization division and from a selection of internal behavioral indicators has been developed. Indicators include defaults on liabilities and commitments, such as unpaid principal or interest, unpaid checks, protested drafts or bonds and unpaid commissions. All corporate, commercial and SME customers are monitored monthly and each customer is flagged according to risk classes determined by the model. This is a supportive process for both decision-making on new credit assignments to existing customers and taking actions to prevent borrower default. In addition, the Credit Risk Management and Portfolio Monitoring division reviews relevant governmental regulations and internal bank policies and reports to the relevant authorities. The relevant loan authority and/or branches are then responsible for monitoring the credit to prevent borrower default. The Financial Analysis division prepares financial analyses on a yearly basis using published financial statements and reviews the credit exposure of customers to other financial institutions and customer payment history based upon information supplied by the Central Bank.

Concentration Limits

The Bank has certain internal concentration limitations for its loan portfolio, which limits are even more stringent than the regulations set by the BRSA. The Bank's internal regulations also differ from the BRSA regulations in certain ways, such as, in the internal regulations, non-cash loans are included in the calculation by their nominal values, whereas in BRSA regulations there are certain credit conversion factors for non-cash loans (*e.g.*, 50% or 40% of the nominal value may be applied in the calculation of the risk).

The following table shows the BRSA legal limits for each of the major concentrations:

	Turkish legislation
A borrower's indebtedness/own funds(1)	25%
A group of borrower's indebtedness/own funds(1)	25%
The Bank's own risk group's indebtedness/own funds(1)	20%
Total of large loans cannot exceed the own funds over(1) (2)	800%

(1) Own funds calculated as the total of core capital and supplementary capital as required by the BRSA in the capital adequacy calculation regulation.

(2) Large loans are the loans made available to a real or legal person (or risk group) that equals or exceeds 10% of a bank's own funds.

Loan Classification and Provisioning Policy

The Bank classifies its total loan portfolio in accordance with current Turkish banking regulations in its financial statements. Pursuant to these regulations, banks are required to classify their loans and receivables in one of the following groups:

Standard Loans and Other Receivables (Group I) – All loans and receivables are fully collectible or expected to be paid in full in a timely manner where the debtor is financially strong. Loans that are paid in due time and that suffer insolvency up to 30 days are classified in this group.

Closely Monitored Loans and Other Receivables (Group II) – In the event that a deterioration in the financial condition or in the cash flow of the debtor is evidenced, or there is sufficient proof or risk that repayment will not be made in a timely manner and in accordance with the conditions as set forth in the applicable loan agreement, loans and receivables must be allocated to this group. Nevertheless, in order to be classified in this group, there must be an expectation that such loans or receivables will be repaid in full. It is not required to provide any specific reserve for this group of loans. Loans whose maturity exceeds 30 days, but that do not meet the requirements to be classified in Group III regarding the length of the default in payment, are among this group.

Loans and Other Receivables with Limited Collectability (Group III) – In the event that the principal and/or accrued interest on a loan or receivable is not paid within a period of 90-180 days following its due date, then such loan or receivable must be allocated to this group.

Loans and Other Receivables with Remote Collectability (Group IV) – In the event that the principal and/or accrued interest on a loan or receivable is not paid within a period of 180 days to one year following its due date but there is still an expectation that the debtor may get additional financing by way of a merger, capital increase or cash injection, then such loan or receivable must be allocated to this group.

Loans and Other Receivables Considered as Losses (Group V) – In the event that there is no likelihood of collection on a loan or receivable, or the principal and/or accrued interest thereon is not paid or not expected to be paid within one year following its due date, such loan or receivable must be allocated to this group.

In the event that a loan is not expected to be paid within 90 days of the due date or the net equity of the debtor and the security provided is not sufficient for the repayment of a loan or receivable, it can be directly classified as an NPL without considering any unpaid period.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above and the collection of whose principal and/or accrued interest payments thereon have remained unpaid for 90 days following their due dates are classified as NPLs.

Furthermore, if: (a) the Bank's management has reason to believe that the borrower will default or (b) a guarantee is not paid within 90 days following the date of indemnification, the Bank has to classify the unpaid loan and all other loans of the same borrower as non-performing regardless of whether they have reached maturity.

For NPLs, the Bank is required by the applicable regulations to provide a specific reserve. These specific reserves must be set aside for NPLs in Groups III, IV and V described above in the amounts of 20%, 50% and 100%, respectively, of the relevant uncovered portion (net of collateral of the loan – net exposure) of the loan or receivable. The uncovered portion of a loan is calculated by deducting the cash equivalent value of collateral from the NPL. Collateral is taken into consideration in the calculation with respect to its liquidation level, applying between 100% and 25% of its notional values.

See table in "—Porfolio Supervision and NPLs" below for details of the movements in the Group's NPL portfolio as of each of the indicated dates.

Turkish regulations also require Turkish banks to provide: (a) a general loan loss reserve calculated at 1% of their total standard cash loan portfolio and 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) and 0.4% of their watch-list non-cash loan portfolio. Furthermore, regulations also require banks to provide general reserves equal to: (a) 5% of their standard cash loan portfolio and watch list cash loan portfolio whose loan conditions will be amended in order to extent the first payment schedule, (b) 4% for standard and 8% for watch list consumer loans other than auto loans and housing loans, all applicable for the banks whose consumer loans to total loans ratio is above 20% or those having a ratio of non-performing consumer loans (other than auto loans and housing loans) to consumer loans (other than auto loans and housing loans) above 8%, and (c) 10% for standard and watch list consumer loans (other than auto loans and housing loans) whose loan conditions will be amended in order to extent the first payment schedule and for those banks whose consumer loans to total loans ratio is above 20% or those having a ratio of non-performing consumer loans (other than auto loans and housing loans) to consumer loans (other than auto loans and housing loans) above 8%.

See also "Turkish Regulatory Environment – Loan Loss Reserves."

Portfolio Supervision and NPLs

Where a loan becomes impaired due to a delay in its principal or interest repayment of more than 90 days, the Bank classifies the loan as an NPL and classifies it under Group III as set out in the Turkish regulations. Accrued but uncollected interest must be deducted from revenue records. Interest on such a loan cannot be recorded as income unless collected. Furthermore, restructured loans are transferred to the "Renewed and Restructured Loans Account" according to collection performance as defined in the related decree. Under the Regulation on Provisions and Classification of Loans and Receivables, legal provisioning requirements for renewed and restructured cash and non-cash loans are 2% and 0.4% respectively. The amount of NPLs restructured and transferred to the "Renewed and Restructured Loans Account" in 2012, 2011 and 2010 totaled TL 75.4 million, TL 101.8 million and TL 121.4 million, respectively. The ratio of restructured NPLs to total NPLs as of December 31, 2012, 2011 and 2010 was 3.72%, 5.13% and 5.04%, respectively. Other loans that are not classified as NPLs may also be restructured. As of December 31, 2012, restructured performing loans constituted 2.1% of the Bank's total performing loan portfolio.

Due to its high recovery rates, the Bank has, in general, given priority to the recovery of NPLs through negotiations and initiating legal proceedings as opposed to sales. The Bank currently prefers to use negotiations to work-out NPLs over legal procedure, as legal procedures are a lengthier and costlier process. Before 2009, the Bank managed its NPL portfolio through recovery alone. However, the Bank signed two NPL sales contracts in 2009 and since then has periodically sold NPL portfolios as market conditions were attractive to do so. NPLs that are sold may be written off either before or at the time of sale.

The following table sets forth details of the movements in the Group's NPL portfolio as of each of the indicated dates.

	As of December 31,		
	2010	**2011**	**2012**
		(TL millions)	
Balance at the beginning of the period	2,818	2,464	2,109
Additions[1]	1,006	988	1,200
Recoveries[2]	1,025	1,075	717
Portfolio sale	329	88	421
Write-off[2]	6	179	17
Balance at the end of the period	2,464	2,109	2,154

(1) Including foreign currency effect.
(2) Excluding portfolio sales.

The following table sets forth details of the Group's renewed and restructured loan accounts as of the indicated dates.

	As of December 31,		
	2010	**2011**	**2012**
		(TL millions)	
Renewed and restructured loan accounts	782	1,318	2,425

Loan Portfolio Quality

The following table sets forth details of the Bank's NPL ratios as of each of the indicated dates.

	As of December 31,		
	2010	2011	2012
Total NPL (TL million)	2,407	1,984	2,025
Coverage Ratio	100%	100.0%	78.9%
NPL Ratio	3.6%	2.1%	1.9%

The following table sets forth details of the Bank's NPL ratios by loan categories as of each of the indicated dates.

	As of December 31,		
	2010	2011	2012
Consumer loans[(1)]	2.9%	1.5%	1.6%
Credit card loans	9.1%	5.2%	3.5%
Total Loans	**3.6%**	**2.1%**	**1.9%**

(1) Including retail overdraft accounts.

As of December 31, 2012, the Bank's NPL ratios were 1.6%, 3.5% and 1.9% for consumer loans, credit card loans and total loans, respectively, each lower than the sector averages according to the BRSA. The Bank's NPL ratios for the same segments as of December 31, 2011 were 1.5%, 5.2% and 2.1%, respectively.

Collateral

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables there are five categories of collateral as set out in the table below. The amount of the specific reserve that is to be allocated is determined after the cash equivalent value of the collateral is deducted from the amount of the NPL. In this calculation, only the portion of the collateral that is equal to the amount of the NPL is taken into consideration. Each category of guarantee has its own rate of consideration as indicated below:

Category of Collateral	Types	Evaluation Ratio
1	Treasury bonds, cash, deposits, etc.	100%
2	Mortgages, promissory notes based upon real commercial transactions, equities, corporate bonds, bank guarantees, etc.	75%
3	Personal guarantees, export documents, movable pledges, etc.	50%
4	Others	25%
5	Unsecured loans	—

Related Party Transactions

All related party transactions of the Bank are subject to the same approval procedures as those applicable to its customers (see "Lending Policies and Procedures" above).

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group must not be more than 20% of its own funds. As of December 31, 2012, the Bank's total net exposure to its risk group totaled TL 2,502 million, an amount corresponding to 10.1% of its own funds. The Bank is therefore within the limits of the Banking Law in terms of its exposure to its subsidiaries and other affiliates.

In addition, the Banking Law limits the total amount of loans to be made available by banks to all shareholders, irrespective of whether they are dominant partners or whether they own qualified shares (excluding those that have a less-than 1% share in the capital of a bank), and to persons who have indirect loan relations with such persons, which amount to

50% or more of their own funds. With a negligible amount of exposure to its shareholders and their risk group as of December 31, 2012, the Bank is well within the limits set by the BRSA.

Employees and Benefits

As of December 31, 2012, the Bank had 24,411 employees. The following table sets forth the number of employees as of the indicated dates.

	Employees
December 31, 2008...........................	20,924
December 31, 2009...........................	22,473
December 31, 2010...........................	23,944
December 31, 2011...........................	24,887
December 31, 2012...........................	24,411

The Bank focuses on ensuring that employees have the level of education suitable for operational effectiveness and a career at the Bank. As of December 31, 2012, 20% of the Bank's employees had only a secondary school education, 2% were graduates of two or three years at college, 69% were graduates of universities relating to the banking industry, 5% were graduates of other universities and 4% had postgraduate degrees. Historically, the Bank has sought to maximize the opportunity for career development for its employees, with all positions filled through internal promotions and assignments as possible.

The Bank's workforce accounted for 12.12% of all banking industry employees in Turkey as of December 31, 2012 according to the Banks Association of Turkey. The Bank's personnel turnover rate (*i.e.*, resignations excluding retirees) is very low, amounting to 2.47%, 2.76% and 3.45% in 2010, 2011 and 2012, respectively. As of December 31, 2012, the Bank's employees (excluding security guards) had, on average, approximately 8.76 years of experience in the Bank and an average age of approximately 33.7 years. The Bank places a high priority on personnel training and career development. Through its staff training department, the Bank operates training programs focusing on skills appropriate to the operations to be performed.

Almost all of the Bank's employees are members of Basisen, the Turkish union for the banking and insurance industries. Basisen and the Bank are parties to a collective bargaining agreement, the most recent of which was agreed on March 4, 2013. Collective bargaining negotiations for the next period are expected to begin in 2014. The Bank's management believes that the Bank has good relations with Basisen, the sole union associated with the Bank.

Turkish employees of the Bank participate in two private pension funds. All employees are members of Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (the ""*İşbank Pension Fund*"), which was established and operates under Turkish social security regulations. In addition, the majority of employees participate in the Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (the ""*İşbank Personnel Supplementary Pension Fund*"). The Bank and its employees contribute to both pension funds. On retirement, The Bank makes an additional lump-sum retirement payment, with employees entitled to receive pension salaries from the pension funds. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies – Employee Benefits Obligations."

For pension funds, Law no. 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published in the Official Gazette dated May 8, 2008 and numbered 26870, decrees that payment obligations to the contributors of bank pension funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this law within three years after the release date of the related article without any need for further operation and that the three year transfer period can be prolonged for up to two years by a decision of the Turkish Cabinet; *however*, the law "Emendating Social Security and General Health Insurance Act", which was published in the Official Gazette dated March 8, 2012 and numbered 28227, raised the two year period to four years. The initial three-year transfer period was extended for two years by a Cabinet decision dated March 14, 2011, which was published in the Official Gazette dated April 9, 2011 and numbered 27900, and has since been further extended to May 8, 2015. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Employee Benefits Obligations."

Legal Proceedings

In the normal course of its business, the Bank is party to certain legal proceedings, whether as plaintiff or defendant, but the Bank's management does not believe that any such proceedings, individually or taken together, are likely to have a material adverse effect on the business of the Group or on the results of its operations or financial condition.

Competition Board Investigations

Competition in Turkey is mainly regulated by Law No. 4054 on the Protection of Competition. This law is enforced by the Competition Board, which has the power to investigate possible breaches and impose fines.

In August 2009, the Competition Board released a report announcing that it had initiated an investigation of eight major banks, including the Bank, into allegations of collusion among such banks in relation to the provision of promotions to public and private corporate customers while providing payroll deposit services, in breach of the Competition Law. After its investigation, the Competition Board announced in March 2011 that it imposed an administrative fine amounting to TL 12,987,340 on the Bank with the possibility of the Bank's appealing the fine to the Council of State. In September 2011, the Bank announced that TL 9,740,505 of the fine (the amount calculated by benefiting from the discount within the framework of the provision of Article 17 of the Misdemeanor Law No. 5326) had been paid by the Bank on September 21, 2011; *provided* that the Bank reserved its right to litigate against the related decision and to claim for refund. The appeal process is still currently pending.

In November 2011, the Bank, together with 11 other banks operating in Turkey, was subject to another investigation by the Competition Board. The Competition Board announced that it had initiated an investigation of 12 major banks (including the Bank), as well as two other financial institutions, with respect to allegations of acting in concert regarding interest rates and fees on deposits and loans in breach of the competition law. 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 to TL 213 million, with fines generally based upon net income) in connection with this investigation. The Bank's management has indicated that it intends to explore options to object 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.

Tax Audit

In order to fulfill its liabilities with respect to the articles of association of Vakouf (*Vakıf senedi*), the Bank made payments to "Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı," which is a foundation established according to Turkish Commercial Law and Civil Law. In relation to these payments made by the Bank, the tax auditors conducted an inspection of these payments, which claimed that the payments should have been considered as wage and subject to withholding tax as the beneficiaries of the payments were the employees of the Bank. Based upon the auditors' reports for 2007 and 2008, the Turkish tax authorities notified the Bank of their request for income tax, stamp tax and tax penalties for these taxes. The total amount of the claimed taxes and tax penalties (as of March 13, 2013) is TL 74.0 million. The Bank's management is of the opinion that these payment were made in compliance with applicable legislation and that there is no legal basis for the assessments and claims raised in the tax audit reports and, accordingly, the Bank has not established any provision for this matter in the Bank's financial statements. The Bank has applied to tax courts to cancel these tax notifications.

Anti-Money Laundering Policies

Turkey is a member country of the FATF and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. Minimum standards and duties include customer identification, record keeping, suspicious activity reporting, employee training, an audit function and designation of a compliance officer. Suspicious transactions must be reported to the Turkish Financial Intelligence Unit, Financial Crimes Investigation Board. In Turkey, all banks and their employees are obliged to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money-laundering. See "Risk Factors – Risks Related to Turkey – Combating the Financing of Terrorism."

The main provisions of the applicable law include regulation of: (a) client identification, (b) reporting of suspicious activity, (c) training, internal audit and control, risk management systems and other measures, (d) periodical reporting, (e) information and document disclosure, (f) retention of records and data, (g) data access systems to public records, (h) protection of individuals and legal entities and (i) written declaration of beneficial owners by transacting customers, among other provisions. Suspicious transactions must be reported to the Turkish Financial Intelligence Unit, which is the Financial Crimes Investigation Board.

To ensure that the Bank and its financial subsidiaries are not used as an intermediary in money laundering and other criminal activities, a program of compliance with the obligations of anti-money laundering and combating the financing of terrorism rules, which is to be followed by all employees, has been implemented throughout the Bank and its financial subsidiaries. This program includes written policies and procedures, assigning a compliance officer to monitor this matter, an audit and review function to test the robustness of anti-money-laundering policies and procedures, monitoring and auditing customer activities and transactions in accordance with anti-money laundering legislation and regulations and employee training.

Compliance with OFAC Rules

OFAC administers regulations that restrict the ability of US persons to invest in, or otherwise engage in business with, Sanction Targets. Before opening an account for, or entering into any transaction with, a customer, the Bank ensures that such customer is not listed as a Sanction Target. In addition, the names of all customers and all incoming and outgoing transactions are continuously and automatically screened against the list of Sanction Targets. All daily transactions are further reviewed for compliance with OFAC rules by the Bank. Accordingly, the Bank's policies restrict the Bank from engaging in any prohibited business investments and transactions with Sanction Targets, including Iran.

Credit Ratings

Each of the Bank's credit ratings from Standard & Poor's, Moody's and Fitch as of the date of this Offering Circular are set out below. Each of these rating agencies is established in the European Union and is registered under Regulation (EU) No. 1060/2009, as amended. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Standard & Poor's (April 5, 2013)	
Foreign Currency Issuer Credit Ratings	BB+ / (Stable) / B
Local Currency Issuer Credit Ratings	BB+ / (Stable) / B
Certificates of Deposit	BB / B
Turkish National Scale	trAA+ / trA-1
Moody's (July 3, 2012)	
Bank Financial Strength	D+ / Stable
Baseline Credit Assessment	Ba1
Bank Deposit Foreign Currency	Ba2 / Stable / NP (Not Prime)
Bank Deposit Local Currency	Baa2 / Stable / P-2 (Prime 2)
Foreign Currency Issuer	Baa2 / Stable
Fitch (December 14, 2012)	
Foreign Currency Issuer Default Rating	BBB / Stable / F3
Local Currency Issuer Default Rating	BBB / Stable / F3
National Long Term Rating	AAA (tur) / Stable
Viability Rating	bbb
Support Rating	3
Support Rating Floor	BB+

RISK MANAGEMENT

General

The Bank's management believes that assessment and control of risk is critical to the Group's success. The Bank closely identifies, measures, monitors and manages the risks arising from the Group's operations. The Bank monitors and manages the mismatch of maturities, the size and degree of interest rate and exchange rate exposure and its counterparty credit quality in order to minimize the effect of these risks on profitability. The Group's current system of risk control and risk management, including the Group's operational risk framework, operational risk policy, application principles and disaster recovery plan, has been in place since 2002. The Group's system of risk control and risk management is reviewed and modified as necessary and is integrated into the Group's internal systems for planning, management and control.

The Bank continues to maintain and further develop its risk management system, which has been established both to meet its internal risk management needs and to comply with its legal and regulatory requirements, including the Basel criteria and the BRSA's regulations. Risk management personnel are also involved in risk, control and compliance analysis processes of the Bank's new products and services. The process comprises not only new but also expanded or modified products and services that may have significant effect on the Bank's risk profile. During this process, the "Internal Systems" group conducts risk, control and compliance due diligence and, throughout the process, Risk Management personnel are responsible for ensuring that all potential risks that may affect the Bank's business strategy and risk profile are analyzed and conveyed to the related parties.

Internal Systems

The Bank's "Internal Systems" group is comprised of the Bank's Board of Inspectors, the Internal Control division, the Risk Management division and the Corporate Compliance division. This system has been structured based upon management's assessment of best market practices in Turkey and internationally and in accordance with the principles and organizational set-up required by Turkish regulations.

The Bank applies sophisticated risk management methods and techniques available in the international banking arena. Risk management is a dynamic process for the Group, evolving alongside developments in international practices and regulations.

The Board of Inspectors and Internal Control, Risk Management and Corporate Compliance divisions report to the Board of Directors through the Audit Committee.

Board of Inspectors

The Board of Inspectors aims to ensure that the activities of the Bank are fully and efficiently implemented in compliance with all applicable laws and corporate regulations. It also serves to secure the accuracy, reliability, completeness and timeliness of all financial and management information.

The scope of the audit process covers all activities and units of the Group. The branches, head office units, subsidiaries, associates and financial participations, information technology and banking processes are periodically audited in accordance with the Bank's audit plan, which is based upon risk-based methodology. Other than these periodic, risk-based audits, the Bank also performs special audits upon the request of the Board of Directors or the Audit Committee.

The audit process includes both the on-site and off-site examination of all material information, accounts, records and documents and all other factors that may affect the operations of the Bank. The Board of Inspectors also assesses the adequacy and effectiveness of the internal control, risk management and compliance systems.

Internal Control Division

The Internal Control division focuses on the internal control system of the Bank, which is structured within the BRSA framework. The Internal Control division controls all branches, the head office divisions that are directly related to the

Bank's main banking activities and all subsidiaries that are subject to consolidation according to principles determined in accordance with applicable international auditing standards.

The Internal Control division aims to examine, monitor, design and co-ordinate the Bank's internal control activities to enable banking activities to be carried out along the objectives, principles and provisions laid down by the Bank's management, and the legislation and regulations in effect, in a secure and efficient manner. Controls on compliance with the relevant laws and regulations, controls on assets, limits, approval and authorization, IT controls and controls on financial reporting systems are implemented in accordance with the charter of the Internal Control division, with the objective of achieving a strong and efficient internal control system in relation to the Bank's banking operations.

Internal controllers conduct on-site control activities in the Bank's head office divisions (including information systems divisions) and branches. On-site controls are supported with centralized computer-assisted control activities.

Risk Management Group

The Risk Management Group is made up of the Risk Committee as well as the Credit Risk and Economical Capital unit, Asset Liability Management Risk unit and Operational Risk, Model Validation and Subsidiary Risk unit operating under the Risk Management division. The Risk Management division is responsible for measuring, monitoring, analyzing and reporting on both financial and non-financial risks.

Corporate Compliance Division

The Corporate Compliance division is responsible for the co-ordination of compliance functions and activities implemented in the Bank's branches and head office divisions. The Corporate Compliance division consists of three sub-units, namely the Regulatory Compliance unit, the Banking Activities Compliance unit and the Anti-Money Laundering Compliance unit. Together, these units aim to contribute towards the internal management of compliance risk, ensuring that the Bank remains in compliance with the relevant legislation, regulations and standards.

The duties and responsibilities of the Compliance Officer as set out in the Prevention of Laundering Proceeds of Crime Law (as described in "—Anti Money Laundering and Combating Financing of Terrorism Policies" below) and other relevant regulations are fulfilled by the Head of the Bank's Corporate Compliance division in his capacity as Compliance Officer of the Bank.

Treasury Division

The Treasury division is responsible for managing and implementing the Bank's asset and liability positions on a day-to-day basis with a special emphasis on Turkish Lira and foreign currency liquidity, ensuring the availability of funds for all products and services distributed through the Bank's network.

The Treasury division's activities are held in the domestic and international money, currency and capital markets. The Treasury division also has the responsibility of determining the fund transfer pricing ("*FTP*") of Turkish Lira and foreign currency-denominated loans and deposits.

The Treasury division consists of separate groups concentrating on different activities such as Turkish Lira liquidity and securities portfolio management, foreign currency liquidity and securities portfolio management, Turkish Lira/foreign currency trading through both international and domestic foreign exchange markets and the pricing of derivative products. Apart from these trading floor activities, the Treasury division employs personnel from the Bank's back office operations. The risk exposure arising from changes in market conditions, counterparty risk and liquidity risks are monitored on a daily basis by a separate desk within the Treasury division. The Asset and Liability Management desk of the Treasury division is responsible for determining FTP, developing business strategies based upon developments in the banking system and reporting results.

The Treasury division's activities include, among others, the following:

(a) managing the Bank's liquidity position,

(b) managing the Bank's investment portfolio,

(c) daily trading in order to enable the Bank to benefit from any advantageous market opportunities,

(d) managing the Bank's net foreign currency position, ensuring that its remains within the limits set by the Turkish banking authorities and the risk appetite of the Bank as set by its Board of Directors,

(e) managing the composition of any long or short foreign currency position,

(f) utilizing derivative instruments, such as currency and interest rates swaps, as well as forward, futures and options transactions, for general hedging purposes,

(g) determining the Bank's Turkish Lira/foreign currency rates, which are used by its branches in pricing Turkish Lira/foreign currency transactions for their clients,

(h) managing the Bank's foreign currency cash stocks and providing services to domestic banks enabling the transportation of their foreign currency denominated cash from Turkey to a related country,

(i) pricing high volume Turkish Lira and foreign currency-denominated deposits of financial institutions and charities similar to the money market transactions in terms of pricing besides the determination of FTP for both Turkish Lira and foreign currency-denominated loans and deposits,

(j) pricing structured finance deals and bilateral loans,

(k) mitigating counterparty risk arising from treasury transactions through ISDA Credit Support Annex related collateral management,

(l) monitoring market risk on the Bank's trading book via the traders limit system, and

(m) finalizing the operational processes of the Bank's front office transactions, including the management of Turkish Lira and foreign currency money transfers.

Asset Liability Management

The main responsibility of the Treasury division is to manage the Bank's assets and liabilities in accordance with the strategies set by the Asset and Liability Committee ("*ALCO*"). ALCO is responsible for forming and overseeing the implementation of the asset and liability management strategy of the Bank and its objective is to structure the Bank's balance sheet in view of liquidity needs and market risk (both interest rate and exchange rate risks), while ensuring that the Bank has adequate capital and is using its capital to maximize net interest income. ALCO generally meets monthly, or more frequently if necessary, to review the Bank's risk exposure, set the Bank's policy for risk exposure (arising from its positions in respect of loans, investment securities and deposits in terms of market risk, together with risks arising from inflation rates, the Bank's liquidity position, capital adequacy and the macro-economic environment including domestic and international political and economic events), determine the Bank's strategies for interest rate levels and terms for loan deposits and determine maturities and the pricing of loans and deposits. ALCO also supervises the implementation process relating to these decisions.

ALCO is chaired by the Bank's Deputy Chief Executive who is also responsible for the Treasury division. The other Deputy Chief Executives who attend ALCO meetings are those in charge of the following functions: corporate and commercial banking, corporate and commercial loan underwriting, credit risk management and portfolio monitoring and SME loans underwriting, retail and private banking, strategy and corporate performance management, capital markets and international banking, subsidiaries and financial management. The Head of the Treasury division is also a member of ALCO and is in charge of coordinating and reporting with respect to ALCO meetings.

ALCO sets the Bank's policies for interest rate levels and the terms for loans and deposits and makes decisions regarding the maturities and pricing of loans and deposits. Every week, a sub-committee of ALCO, the Asset and Liability Management Unit ("*ALMU*"), gathers to discuss the latest developments in the financial markets and sets the main framework for the following week's policies and pricing strategies. Decisions made in ALCO thus constitute the basis for decisions made in ALMU. ALMU is chaired by the head of the Treasury division. Other members include the heads of the retail banking product division, corporate banking product division, commercial banking product division, consumer loans division, economic research division, financial management division, risk management division, strategy and corporate performance division and capital markets division, as well as the unit managers of the Treasury division.

Based upon the decisions made in ALMU and ALCO meetings, the Bank's Treasury division is responsible for managing and implementing the Bank's asset and liability positions and policies on a day-to-day basis and ensuring the availability of funds for all of the Bank's products and services distributed through its network. The Treasury division measures and evaluates on a daily basis the Bank's risk exposure and unfavorable changes in market conditions and regularly monitors the short-term mismatches between assets and liabilities. For further information, see "Treasury Division" above.

Composition of the Group's main assets and liabilities

The Group's main assets are comprised of cash and banks, loans and securities. As of December 31, 2012, the Group's total assets increased to TL 201,075 million from TL 183,936 million as of December 31, 2011. The following chart sets forth details of the composition of the Group's main assets and liabilities by currency as of the indicated dates:

	As of December 31,					
	2010		2011		2012	
	(TL)	*(Foreign Currency)*	*(TL)*	*(Foreign Currency)*	*(TL)*	*(Foreign Currency)*
Assets						
Cash and Banks	44.3%	55.7%	30.4%	69.6%	26.4%	73.6%
Loans	65.5%	34.5%	61.0%	39.0%	63.3%	36.7%
Securities Portfolio	79.1%	20.9%	76.6%	23.4%	83.4%	16.6%
Total Assets	**70.2%**	**29.8%**	**63.9%**	**36.1%**	**66.4%**	**33.6%**
Liabilities						
Deposits	66.1%	33.9%	60.1%	39.9%	60.0%	40.0%
Funds Borrowed[1]	33.4%	66.6%	41.4%	58.6%	44.6%	55.4%
Total Liabilities	**67.3%**	**32.7%**	**63.0%**	**37.0%**	**64.3%**	**35.7%**

(1) Including interbank, repo funds and marketable securities issued (consisting of TL and foreign currency-denominated bills and bonds issued by the Bank).

The following chart sets forth the composition of the Group's main assets and liabilities by maturity as of December 31, 2012:

	Less than or equal to one month	Greater than one month and less than or equal to three months	Greater than three months and less than or equal to 12 months	Greater than 12 months
Assets				
Cash and Banks	96.2%	3.3%	0.5%	0.0%
Loans(1)(2)	22.2%	7.3%	23.6%	46.8%
Securities Portfolio	6.1%	1.8%	18.6%	73.5%
Total Assets(2)	**27.4%**	**5.4%**	**19.5%**	**47.7%**
Liabilities				
Deposits	73.8%	19.4%	6.2%	0.6%
Funds Borrowed(3)	39.7%	5.9%	21.9%	32.5%
Total Liabilities(4)	**64.7%**	**14.8%**	**11.3%**	**9.2%**

Notes: Derivative Financial Assets Held for Trading amounting to TL 642,523 thousand are included in the securities portfolio.
(1) Including factoring receivables.
(2) Excluding unallocated assets.
(3) Including interbank, repo funds and marketable securities issued (consisting of TL and foreign currency- denominated bills and bonds issued by the Bank).
(4) Excluding unallocated liabilities.

As part of its internal asset liability management policy, the Bank seeks to structure its securities and loan portfolios such that the borrowing side matches the lending side in terms of total Turkish Lira/foreign currency exposures or fixed rate/floating rate exposures in order to minimize risk. The Bank also utilizes derivative transactions in order to hedge itself against interest rate risk and foreign currency risk, as well as liquidity risk.

Market risk

Market risk is defined as the risk of loss in the trading portfolio of the Bank arising from movements in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads that may affect the Bank's assets, income or the value of its holdings of financial instruments. The objective of market risk management is to monitor and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The level of market risk to which the Bank is subject is measured by two separate methods known as the "Standard Method" and the "Value at Risk ("*VaR"*) Method". Both methods are in accordance with local Turkish regulations as adopted from internationally accepted practices.

Using the Standard Method, market risk measurements are carried out on a monthly basis. The results of these measurements are included in the Bank's public regulatory reports as well as in internal reports, which are addressed to the Bank's Board of Directors and senior management.

The VaR Method is used to measure market risk in terms of interest rate risk, exchange rate risk, equity risk and volatility risk on a daily basis and is a part of the Bank's daily internal reporting procedure. Back-testing is carried out to determine the reliability of the daily market risk measurements under the VaR Method. See "Selected Statistical and Other Information – Capital Adequacy" for the Bank's VaR measurements.

In order to support the VaR model that measures the loss that may occur under ordinary market conditions, scenario analyses are developed and performed based upon future predictions and past crises. The potential impact of these scenarios on the value of the Bank's trading book is determined and the results are reported to the Bank's Board of Directors and senior management.

The ALCO, comprising members of senior management of the Bank, manages market risk by monthly meetings based upon reports prepared by the risk management and related executive divisions. For the purpose of hedging market risk, the Bank primarily aims to balance the foreign currency position, match the interest and duration structure of its assets and liabilities and keep a sufficient level of liquid assets. The limits, which are established for managing market risk within the framework of the Bank's asset and liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with current market conditions.

Interest Rate Risk

A significant component of the Bank's asset and liability management risk policy is the management of interest rate risk. Interest rate risk is the possibility of loss in relation to the structural position arising from adverse movements in interest rates. The Bank is exposed to interest rate risk due to mismatches in the maturity or re-pricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets or liabilities mature or re-price in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A positive gap denotes asset sensitivity and normally means that an increase in interest rates would have a positive effect on net interest income, while a decrease in interest rates would have a negative effect on net interest income.

The potential effects of interest rate risk on the Bank's assets and liabilities, market developments, general economic environment and expectations are regularly addressed in ALCO meetings where further measures to reduce risk are implemented when necessary.

While interest rate risk in trading book is managed through VaR limits, interest rate risk in the banking book is monitored and controlled by the limit established on the ratio of structural interest rate risk to regulatory capital. Structural interest rate risk is quantified by calculating the change in the Bank's economic value of equity under standardized interest rate shocks (*i.e., plus* 2% for foreign currency and 5% for local currency). The interest rate risk limits determined by the Board of Directors are monitored by the Risk Committee in accordance with the Bank's asset and liability management policy. Furthermore, scenario analyses that are developed based upon future predictions are conducted for managing interest rate risk.

The following table sets forth the Group's "re-pricing" gap, which is the difference between the interest rate sensitivity of assets and the interest rate sensitivity of liabilities, as of December 31, 2012:

	Less than or equal to one month	Greater than one month and less than or equal to three months	Greater than three months and less than or equal to 12 months	Greater than 12 months	No Interest	Total
			(TL thousands)			
Cash balances and balances with the Central Bank	-	-	-	-	16,111,127	16,111,127
Balances with banks	3,006,260	682,860	80,505	-	782,268	4,551,893
Trading securities	368,828	745,742	538,110	208,172	341,789	2,202,641
Interbank funds sold	81,675	-	-	-	-	81,675
Securities available for sale loans	9,323,834	3,159,679	8,071,869	11,361,709	256,734	32,173,825
Loans(1)	33,584,462	14,239,146	26,859,888	41,531,623	18,304	116,233,423
Securities held to maturity	676,402	3,290,560	5,084,488	1,997,329	-	11,048,779
Other assets	924,355	71,338	298,889	915,379	16,461,415	18,671,376
Total assets	47,965,816	22,189,325	40,933,749	56,014,212	33,971,637	201,074,739
Bank deposits	2,308,441	404,997	258,284	11,863	228,227	3,211,812
Other deposits	54,553,321	20,184,263	6,344,956	610,250	21,106,258	102,799,048
Interbank funds borrowed	15,725,235	584,075	721,521	-	-	17,030,831
Miscellaneous payable	230,187	1,967	258	3,557	8,948,509	9,184,478
Marketable securities issued(2)	977,611	1,789,232	1,838,522	3,675,449	-	8,280,814
Funds borrowed from other financial institutions	8,910,894	5,247,654	3,743,469	1,259,895	-	19,161,912
Other liabilities	266,570	773,842	2,284,506	63,667	38,017,259	41,405,844
Total liabilities	82,972,259	28,986,030	15,191,516	5,624,681	68,300,253	201,074,739
Asset/liability gap	(35,006,443)	(6,796,705)	25,742,233	50,389,531	(34,328,616)	
Off-balance sheet gap	2,332,732	4,365,149	(3,128,493)	(3,252,217)	-	317,171
Total gap	(32,673,711)	(2,431,556)	22,613,740	47,137,314	(34,328,616)	317,171
Cumulative gap	(32,673,711)	(35,105,267)	(12,491,527)	34,645,787	317,171	

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

Liquidity risk

In general, liquidity risk is the risk that an entity will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable. Liquidity risk is a substantial risk in Turkish markets, which have historically exhibited significant volatility.

The Bank's principal source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of market conditions, the Bank's extensive network of branches and steady core deposit base are its most important safeguards for the supply of funds. Medium and long-term funds are acquired from financial institutions abroad as well as debt securities issued in local and foreign markets.

In order to meet the liquidity requirements that may emerge from market fluctuations, considerable attention is paid to the need to preserve liquidity and efforts in this respect are supported by projections of TL and foreign currency cash flows. Based upon cash flow projections, prices are differentiated for different maturities and measures are taken accordingly to meet liquidity requirements. Moreover, potential alternative sources of liquidity are determined where required for extraordinary circumstances. Foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting requirements, are also used to monitor liquidity on an ongoing basis.

Within the framework of the Bank's asset and liability management risk policy, internal limits established for liquidity risk management are monitored by the Risk Committee and, in the case of extraordinary situations where prompt action is required to be taken due to unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

The major objectives of the Bank's asset and liability management risk policy are to ensure that sufficient liquidity is available to meet its commitments to its clients in respect of the repayment of deposits and ATM transactions, to satisfy the Bank's other liquidity needs and to ensure compliance with the capital adequacy and other applicable Central Bank regulations. Liquidity risk arises in the general funding of the Bank's financing and trading activities and in the management of investment positions. It includes the risk of increases in funding costs and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The largest portion of the Group's funding source is deposits, constituting 58.7%, 53.7% and 52.7% of total liabilities as of December 31, 2010, 2011 and 2012, respectively. The Bank's management believes that deposits provide a stable funding base for the Bank. The Bank seeks to maximize the amount of Turkish Lira-denominated demand deposits in order to reduce the average funding cost. In addition, the Bank executes strategies to obtain long-term funds in order to match the maturities between its assets and liabilities.

As of December 31, 2012, the Group's demand deposits, of which 53.6% were Turkish Lira-denominated, constituted 20.1% of total deposits. As of the same date, time deposits represented 79.9% of total deposits, with foreign currency-denominated deposits playing a major role, constituting 38.4% of the total time deposits.

The following table sets forth the original maturity profile of the Group's deposits (including accrued interest that may be payable thereon) as of each of the indicated dates:

	As of December 31,				
	2010	**Change**	**2011**	**Change**	**2012**
	(TL millions)	*(%)*	*(TL millions)*	*(%)*	*(TL millions)*
No term	**14,689**	**29.72%**	**19,054**	**12.03%**	**21,347**
Turkish Lira-denominated	9,290	10.10%	10,228	11.84%	11,439
Foreign currency-denominated	5,399	63.47%	8,826	12.26%	9,908
Up to three months	**65,294**	**1.26%**	**66,115**	**12.48%**	**74,366**
Turkish Lira-denominated	46,002	(6.31)%	43,101	16.21%	50,086
Foreign currency-denominated	19,292	19.29%	23,014	5.50%	24,280
Greater than three months and less than or equal to 12 months	**5,546**	**56.87%**	**8,700**	**(49.37)%**	**4,405**
Turkish Lira-denominated	2,827	91.69%	5,419	(72.26)%	1,503
Foreign currency-denominated	2,719	20.67%	3,281	(11.55)%	2,902
Over 12 months	**2,948**	**68.35%**	**4,963**	**18.74%**	**5,893**
Turkish Lira-denominated	392	63.01%	639	(14.40)%	547
Foreign currency-denominated	2,556	69.17%	4,324	23.64%	5,346
Total deposits	**88,477**	**11.70%**	**98,832**	**7.26%**	**106,011**
Turkish Lira-denominated	58,511	1.50%	59,387	7.05%	63,575
Foreign currency-denominated	29,966	31.63%	39,445	7.58%	42,436

Currency Risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that a bank is subject to due to the exchange rate movements in the market.

The Bank effectively hedges its foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk.

Currency risk is managed by internal currency risk limits, which are established by the Board of Directors as a part of the Bank's internal risk policies. ALCO and ALMU meet regularly to take necessary decisions for managing exchange rate and parity risks within the scope of the Bank's asset and liability management risk policy. The Bank manages foreign currency risk through monthly ALCO meetings and by setting limits on the positions that can be taken by the Bank's Treasury Division. These limits are regularly reviewed by the Board of Directors and are amended from time to time to meet the growing business needs of the Bank.

The general net foreign currency positions of Turkish banks are also regulated by the BRSA and this figure, in absolute terms, cannot exceed 20% of the relevant bank's shareholder equity. See "Selected Statistical and Other Information – Loan and Guarantee Portfolio – Foreign Currency Exposure" for the foreign currency exposure in the Bank's loan and guarantee portfolio.

Both the Standard Method and VaR Method are used in order to measure currency risk. Using the Standard Method, currency risk measurements are carried out on a monthly basis and the results are used for calculating the regulatory capital requirement of the Bank. Risk measurements within the context of the VaR Method are performed on a daily basis using historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the VaR calculations.

The results of these currency risk measurements are reported to senior management and the risks are closely monitored by taking into account current market and economic conditions.

A 10% weakening of the Turkish Lira against foreign currencies as of December 31, 2010, 2011 and 2012 would have changed profit or loss by the amounts shown in the table below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As of December 31,		
	2010	**2011**	**2012**
		(TL thousands)	
US$	224,241	236,031	228,999
Euro	(10,908)	(92,892)	(202,894)
Other currencies	8,588	105,295	76,740
Total	**221,921**	**248,434**	**102,845**

Credit Risk

In general, credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank places emphasis mainly on the payment ability and cash generating ability of the borrower in any given transaction, and also obtains sufficient collateral from borrowers including, wherever possible, cash collateral, mortgages or security over other assets. The Bank seeks to manage its credit risk exposure through the diversification of its lending activities to avoid undue concentration of risks with individuals or groups of clients in specific locations or businesses. Furthermore, the Bank's lending is subject to the principles and internal limits set by the Board of Directors, which observes the relevant Turkish banking regulations.

The Bank has implemented centralized credit approval processes and loan proposals are evaluated and monitored by the relevant authorized divisions (see "Business of the Group – Lending Policies and Procedures" and "Business of the Group – Collateral" above).

The day-to-day management of credit risk is devolved to individual business units, such as the Corporate, Commercial and SME Loans Underwriting divisions, the Consumer Loans division and the Treasury division, which perform regular appraisals of quantitative information relating to counterparty credit.

Credit risk arising from treasury transactions is monitored on a daily basis. Exposure from over-the-counter derivative transactions is subject to daily margin call on counterparty basis under the relevant credit support annex agreements. 99% of the total credit risk arising from over-the-counter derivative transactions is collateralized with cash.

Operational Risk

Operational risk is the risk of loss arising from faults or deficiencies in the regular operations of a bank, including problems with systems, hardware, technology and communication infrastructures, national disasters, terrorist attacks or earthquakes, as well as with respect to personnel responsibilities for monitoring, controlling, reporting, taking action and being diligent.

Operational risk assessments are conducted by the Bank's Risk Management division using both qualitative and quantitative techniques. In terms of qualitative techniques, a "risk control self-assessment" is carried out using interviews to identify and classify risks and workshops are used to measure and evaluate risks. Following the assessment process, risks identified are reported to the Risk Committee and Board of Directors and "Monitoring Action Plans" are prepared accordingly. In terms of quantitative techniques, the Risk Management division employs a range of diagnostic tools, such as key risk indicators and scenario analysis, together with data analysis and modeling.

Risks derived from information technologies are primarily assessed within the scope of the Bank's operational risk management analysis. It is essential that those risks, which could be seen as multipliers of other risks derived from activities of the Bank, are measured, closely monitored and controlled within the framework of the Bank's integrated risk management.

Subsidiaries' Risk Management

The Bank has a group-wide risk policy set by the Bank's Board of Directors. The Risk Management division monitors both internal and legal risk limits and other risks relating to subsidiaries falling within the scope of the group-wide risk policy. In addition to this, the Bank's subsidiaries also have their own internal, sector-specific risk policies, limits and procedures. The Bank's Risk Committee meets every three months to evaluate the group's risk level on a consolidated basis. The risk levels of subsidiaries are reported to the Board of Directors through the Risk Management division.

Anti-Money Laundering ("*AML*") and Combating the Financing of Terrorism ("*CFT*") Policies

Turkey has been a member country of FATF since 1991 and has enacted a series of laws and regulations related to the prevention of money laundering and terrorism financing. In Turkey, all banks and their employees are obliged to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money laundering and terrorism financing. The first law relating to anti-money laundering (the "Prevention of Money Laundering" Law No. 4208) came into effect as of November 19, 1996. The "Prevention of Laundering Proceeds of Crime" Law No. 5549 came into effect as of October 18, 2006.

The "Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism" was published in the Official Gazette in Turkey on January 9, 2008 and came into effect as of April 1, 2008. The main provisions include the regulation of: (a) obligations, (b) principles regarding client due diligence, (c) procedures of suspicious transaction reporting, (d) principles of providing information and documents, (e) inspection of obligations and (f) retaining and submitting.

In order to regulate principles and procedures regarding establishment of compliance programs and the assignment of compliance officers by obliged parties for the purpose of the prevention of money laundering and terrorism financing, the "Regulation on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism" (the "*AML Regulation*") was published in the Official Gazette in Turkey on September 16, 2008 and came into effect as of March 1, 2009. The obligations introduced under the AML Regulation include: (a) establishing a compliance program, (b) developing institutional policy and procedures, (c) risk management, (d) monitoring and controlling, (e) assigning a "compliance officer" and establishing a compliance unit, (f) training and (g) internal audit.

In line with the AML Regulation, on September 24, 2008, the Bank's Corporate Compliance division was established and its manager, Mr. Mehmet Ali Madendere, was appointed as the Bank's Compliance Officer. The Corporate Compliance division reports directly to the Board of Directors.

In an effort to ensure compliance with FATF requirements, the CFT Law was introduced on February 16, 2013. The CFT Law introduces an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The law includes further criminalizing terrorist financing and implementing an adequate legal framework for identifying and freezing terrorist assets. See "Risk Factors – Risks Related to Turkey – Combating the Financing of Terrorism."

The Bank has adopted various policies and procedures aimed at preventing money laundering and terrorist financing. In line with FATF recommendations, Wolfsberg principles and the standards promulgated by the Basel Committee on Banking Supervision, the Bank applies "know-your-customer" (KYC) and "know-your customer's-transaction" (KYCT) procedures, as well as procedures to identify beneficiary owners. The Bank's most recent policy on the prevention of money laundering and terrorism financing was adopted on March 2, 2009. The Bank's AML/CFT policies and procedures are based upon, and the Bank believes that such policies and procedures are in compliance in all material respects with, applicable provisions of Turkish law and applicable laws in other jurisdictions. All the Bank's branches and subsidiaries, regardless of their geographic location, must comply with the Bank's programs, policies and procedures.

The Bank's Board of Inspectors is responsible for the oversight and audit of the Bank's AML/CFT policies and procedures. Transactions and records in the Bank's branches are reviewed on a regular basis to ensure compliance with the Bank's policies and procedures. Each year, the Bank must provide reports to the Turkish Financial Crimes Investigation Board (the "*FCIB*") that contain data on the annual transaction volume, the total number of employees and branches that were audited, the date and duration of the audits, the number of personnel responsible for the audits, the number of transactions that were inspected and the number of suspicious transactions that were detected. The Bank also provides training to new and existing employees on its AML/CFT policies and procedures.

Client Identification

Under the AML Regulation, banks must verify the identification documents and other information provided by their permanent clients. The identification process also extends to walk-in clients where the value of a single transaction or the total value of multiple linked transactions is equal to or more than the thresholds specified in the AML Regulation. If there is any suspicion regarding the transaction requested by a walk-in client, regardless of the value of the transaction, the identification process must be carried out in full by the employee dealing with the transaction. The Bank's policy is that, as with other obliged parties covered by the AML Regulation, all necessary measures should be taken in order to determine whether a transaction is being carried out for the benefit of a third party and, if so, to identify that third party. Moreover, all financial institutions are required by the AML Regulation to identify the beneficiary owner of an account. It is also compulsory for the banks to identify the natural person or legal entity that owns more than 25% of a legal entity.

The Bank's internal policies and systems prohibit the opening of anonymous accounts or the provision of services to shell banks or individuals who fail to provide sufficient identification. This is automatically controlled by the Bank's account-opening system, under which an account will not be allowed to be opened if certain conditions are not met.

Monitoring Suspicious Transactions

The Bank uses specialized software designed to detect unusual transactions in terms of money laundering and terrorism financing. The Bank's Anti-Money Laundering Compliance unit then analyzes the alerts generated by the software and files suspicious transaction reports to the FCIB as necessary. In the Bank, risk assessment of the customers, products and countries was updated and this risk assessment was integrated with the software. The profiling process, known as "peer-profiling", is based not only upon the historical transactions of the Bank's clients but also on demographic information, occupation type for real persons and field of activity for legal persons. The software also screens the Bank's customers and transactions according to watch lists of individuals, companies or geographic locations issued by authorities such as OFAC and the United Nations. If any party in a transaction falls within any of the watch lists, the system creates an alert, which the Bank reviews, and then decides, on a case-by-case basis, whether to accept or refuse the transaction. Branches also report suspicious transactions in written form to a compliance officer.

Funding

Deposits are the Group's main source of funding, with a 52.7% share in total liabilities as of December 31, 2012. As of December 31, 2012, according to the consolidated financial statements 71.3%, and Bank-only financial statements 77.5% of total funding was from deposits, while the rest was largely from long-term foreign borrowings.

In terms of foreign currency, the primary funding sources for the Bank include foreign currency deposits, "repo" transactions, syndicated term loan facilities, eurobond issuances, future flow transactions and post-finance transactions, financings from multilateral institutions and export credit agencies, as well as bilateral transactions.

In terms of Turkish Lira, the primary funding sources currently available for the Bank are the repo and reverse repo market of the İSE, the over-the-counter interbank money market, the interbank money market of the Central Bank, collateralized loans and bill and bond issues. In January 2012, the Bank's Board of Directors authorized the issuance of bills and bonds with a value of up to TL 6.1 billion. In July 2012 the Board authorized another issuance of bills and bonds up to TL 5.75 billion for the upcoming period. As of December 31, 2012, the Bank has issued corporate bonds with a total value of TL 12.5 billion, consisting of: TL 10.5 billion of bills, TL 1.95 billion of discounted bonds and TL 150 million of coupon-bearing bonds since it commenced issuing such bills and bonds in February 2011. For further information on recent security issuances, see "Management's Discussion and Analysis of Results of Operations and Financial Condition-Recent Developments."

As a last resort, the Bank also has the ability to borrow funds through the Central Bank. The Bank's limits for these kind of transactions are determined by the Central Bank and generally carry a maturity of up to one month.

The Bank has been accessing the international markets for syndicated loan facilities since 1986 and is a regular borrower in the syndicated loan market. As of December 31, 2012, the balance of the two syndicated term loan facilities obtained by the Bank was approximately US$2.5 billion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Funding."

On February 2, 2011, the Bank completed its first issuance of eurobonds with a term of five years and an interest rate of 5.1% *per annum* for a total amount of US$500 million. The transaction was the first eurobond from a Turkish issuer in 2011 and achieved the lowest coupon to such date from a Turkish bank. In 2012, the bank issued a second US$500 million five year eurobond at an interest rate of 3.875% and a US$1.0 billion subordinated ten-year Eurobond with an interest rate of 6.00%.

The Bank has two outstanding future flow programs. The first program is the "Diversified Payment Rights" program created in 2004. Through this program, the Bank sold all right, title and interest in, to and under US Dollar-, Euro- or Sterling-denominated payment orders received by the Bank, which are sent or delivered by a payor to any office of the Bank and the payment of which is to be made to the Bank outside of Turkey. Since 2004, several tranches have been issued under the program amounting to US$3.3 billion. The second program is the credit and debit card voucher future flow program created in 2005. Through this program, the Bank sold credit and debit card flows derived from the Bank's principal membership (as an acquiring member) in VISA International Service Association, MasterCard International Incorporated and Europay International S.A. The total amount of issuances under this program is US$350 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Funding."

	As of December 31,				
	2010	**% Change**	**2011**	**% Change**	**2012**
			(TL millions)		
Deposits	88,477	11.7%	98,832	7.3%	106,011
Repos & Money Market	12,969	73.3%	22,473	(24.2)%	17,031
Funds Borrowed(1)	14,557	55.5%	22,640	21.2%	27,443
Other	15,821	24.4%	19,680	30.7%	25,732
Equity	18,987	7.0%	20,311	22.4%	24,859
Total	**150,811**	**22.0%**	**183,936**	**9.3%**	**201,075**

(1) Including debt issuances and subordinated loans.

	As of December 31,		
	2010	**2011**	**2012**
		(% of Total Liabilities)	
Deposits	58.7%	53.7%	52.7%
Repos & Money Market	8.6%	12.2%	8.5%
Funds Borrowed(1)	9.6%	12.3%	13.6%
Other	10.5%	10.7%	12.8%
Equity	12.6%	11.1%	12.4%
Total	**100.0%**	**100.0%**	**100.0%**

(1) Including debt issuances and subordinated loans.

Capital Adequacy

The Bank is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by 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). The Bank's total capital ratio is calculated by dividing its "Tier I" capital, which comprises its share capital, reserves, retained earnings and profit for the current periods, *plus* its "Tier II" capital, which comprises general provisions and revaluation surplus, by the aggregate of its risk-weighted assets and risk-weighted off-balance sheet exposures. In accordance with these guidelines, the Bank 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 of December 31, 2012, the Bank's regulatory capital adequacy ratio was 16.33% and the Group's regulatory capital adequacy ratio was 16.28%, each significantly exceeding the minimum ratio of 8.0%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy."

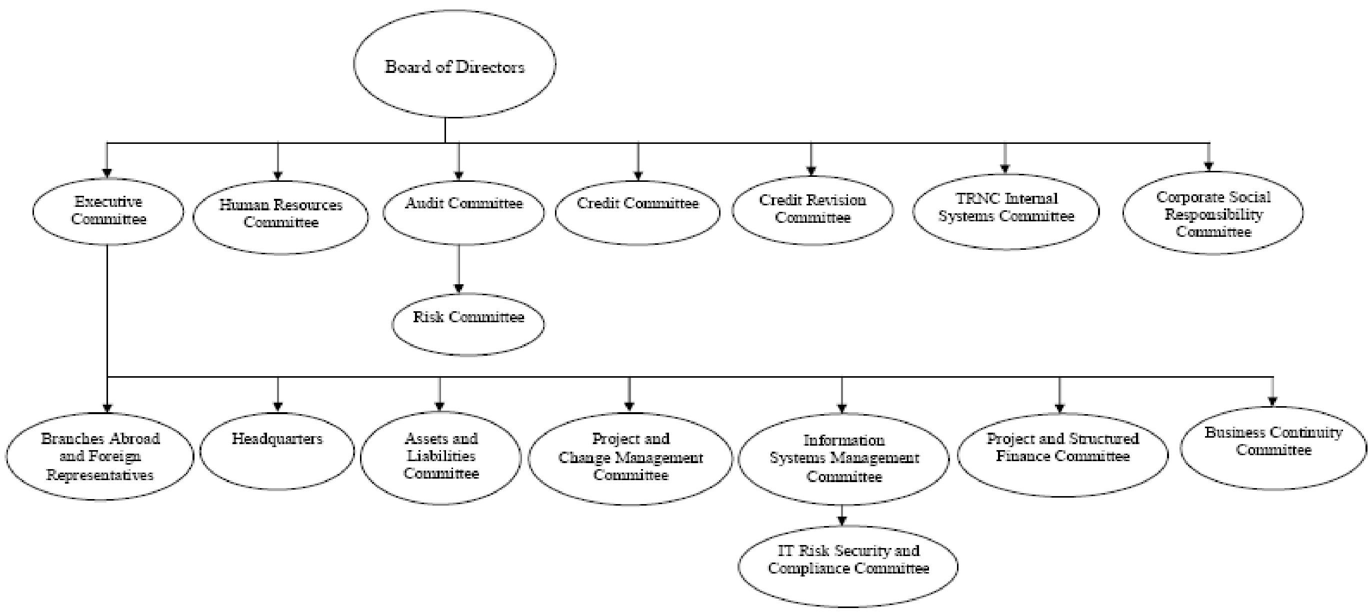
In the future, Turkish banks' capital adequacy requirements will likely be affected by Basel III, which includes requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. At this stage, the BRSA has announced its intention to adopt the Basel III requirements and a draft Regulation on the Equities of Banks as well as a draft regulation amending the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks were made available by the BRSA for public review on February 1, 2013. In addition to these implementations, a draft Regulation on the Capital Conservation and Countercyclical Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, was prepared and delivered to the banks for their review. All such three draft regulations imply possible implementation of Basel III by the beginning of July 2013. In the future, Turkish banks' capital adequacy requirement may be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. Please see "Turkish Regulatory Environment" below for further discussion on Basel III.

MANAGEMENT

In accordance with the Bank's articles of incorporation and the relevant laws of Turkey, the Bank is ultimately controlled by its shareholders through its General Assembly. According to the Bank's articles of incorporation, general resolutions at the General Assembly are adopted by affirmative votes of an absolute majority of the votes present at the meeting; *provided* that a quorum is attained. Resolutions concerning amendments to the articles of incorporation themselves, however, must be approved by affirmative votes of two-thirds of the votes present at the meeting; *provided* that a quorum is attained.

The Bank comprises 46 departments. Five of these departments – the Board of Inspectors, Internal Control, Secretariat to the Board of Directors, Risk Management and Corporate Compliance – report directly to the Board of Directors. The other departments are managed by the Executive Committee comprising the CEO and Deputy CEOs.

The following chart shows the corporate organizational structure of the Bank:



Board of Directors

According to the Bank's articles of incorporation, the Board of Directors consists of between 7 and 11 members, as elected by the shareholders at the General Assembly, with the exception of the Chief Executive Officer who is appointed by the Board of Directors. Each director serves for a term of three years.

Under the Bank's articles of incorporation, the Board of Directors must hold their meetings at least once a month at the address where the Bank's head office is located. They may also hold meetings in any other suitable place; *provided* that more than one half of the Board members concur.

The presence of more than one half of the Board of Directors is required for the validity of a board meeting. Resolutions are adopted by the majority of the members present and, in the event of an equality of votes, the relevant matter is postponed until the subsequent meeting. Should the votes again be equal, the proposal in question is considered as rejected.

Recent amendments to the Turkish Commercial Code allow the appointment of a legal entity as a member of the board of directors of a joint stock company. Under such rules, a legal entity on a board of directors would be represented by a natural person designated by it. Alternatively, natural persons can be members of the board. Notwithstanding this recent change, the BRSA's Board has issued a decision prohibiting the appointment of a legal entity as a member of the board of directors of any joint stock company that it regulates, and thus members of the Bank's board can still only be natural persons.

The business address of each of the members of the Board of Directors is İş Kuleleri 34330 Levent, İstanbul, Turkey. As of the date of this Offering Circular, the Board of Directors comprises the following:

Name	**Position**	**Year first appointed to the Board**
H. Ersin Özince	Chairman	1998
Füsun Tümsavaş	Deputy Chairman	2008
Adnan Bali	Director & CEO	2011
Prof. Dr. Savaş Taşkent	Director	2005
Hasan Koçhan	Director	2008
Aynur Dülger Ataklı	Director	2011
M. Mete Başol	Director	2011
Mustafa Kıcalıoğlu	Director	2011
Aysel Tacer	Director	2011
Hüseyin Yalçın	Director	2011
Murat Vulkan	Director	2011
A. Taciser Bayer	Auditor	2009
Kemal Ağanoğlu	Auditor	2011

H. Ersin Özince (Chairman)

Born in Havran in 1953, H. Ersin Özince graduated from the Business Administration Department of the Middle East Technical University in 1975 and started his professional career in January 1976 at the Bank's Board of Inspectors. After serving as the head of various departments within the Bank, he was appointed as Deputy Chief Executive in 1994 and was responsible for the Treasury, Financial Management, Capital Markets, Loans, Credit Information and Financial Analysis Departments. He was appointed as the 15th Chief Executive Officer of the Bank on October 28, 1998. Mr. Özince was elected as Director to the Board on March 31, 2011 and as Chairman of the Board on April 1, 2011. He has also been serving as the Head of the Remuneration Committee since December 29, 2011.

Füsun Tümsavaş (Deputy Chairman)

Born in Ankara in 1957, Füsun Tümsavaş graduated from the Economics and Finance Department of Ankara University, Faculty of Political Sciences. She started her professional career at the Central Bank's Ankara Branch in 1979. In 1981, she started to work at the Bank's I. Loans Department as an Officer, and became an Assistant Supervisor and later an Assistant Loan Specialist in the same department. She was appointed to the Bank's I. Loans Department as an Assistant Manager in 1994 and as a Regional Manager in 1999, and in 2004 she became the head of the Commercial Loans Department. Füsun Tümsavaş was appointed to the Bank's Board of Directors on March 28, 2008 and re-appointed on March 31, 2011. She has been serving as a member of the Credit Committee since April 2, 2008. She is the Deputy Chairman of the Bank's Board of Directors and also Head of the Risk Committee, Audit Committee and the TRNC (Turkish Republic of Northern Cyprus) Internal Systems Committee.

Adnan Bali (Director and Chief Executive Officer)

Born in İslahiye in 1962, Adnan Bali graduated from the Economics Department of Middle East Technical University and started his career at the Bank's Board of Inspectors in 1986. Mr. Bali became an Assistant Manager at the Treasury Department in 1994, a Unit Manager in 1997 and the Head of the Treasury Department in 1998. Mr. Bali was appointed as the Manager of the Şişli Branch in 2002, the Manager of the Galata Branch in 2004 and the Deputy Chief

Executive on May 30, 2006. Mr. Bali was appointed as the 16th Chief Executive Officer of the Bank and the Chairman of the Credit Committee on April 1, 2011. He is also a member of the Risk Committee.

Prof. Dr. Savaş Taşkent (Director)

Born in İyidere in 1943, Prof. Dr. Savaş Taşkent graduated from the Faculty of Law at İstanbul University. He started his academic career in 1971 as an assistant in the Department of Law of the Faculty of Basic Sciences at İstanbul Technical University. He also attended postgraduate seminars and received his PhD degree from the Faculty of Law of İstanbul University in 1980, and subsequently became an assistant professor at the Faculty of Management Engineering of İstanbul Technical University in 1982, an associate professor in the Discipline of Labor and Social Security Law in 1984 and a professor in 1990. He served as Deputy Dean between 1986-1992 and Vice Rector between 1996-1998. In 1982 and in 1987, he undertook research studies abroad (at the Universities of Erlangen and Heidelberg). He served as a Counselor to the Minister at the Ministry of Labor and Social Security between the years 1991-2000 and he attended the ILO Conference held in Geneva as the Counselor to the Government during the years 1991-2003. Prof. Dr. Taşkent had also been the Head of Major Discipline of Law at the Faculty of Business Administration of İstanbul Technical University He is currently retired and serving as a visiting professor at the same university. He was elected to the Bank's Board on March 31, 2005 and re-elected on March 28, 2008, and March 31, 2011. He has been serving as a member of the Audit Committee since March 26, 2008, the TRNC (Turkish Republic of Northern Cyprus) Internal Systems Committee since June 15, 2009 and the Remuneration Committee since December 29, 2011.

Hasan Koçhan (Director)

Born in Trabzon in 1957, Hasan Koçhan graduated from the Banking Department of the Banking Insurance Trade Institution of Higher Education of Ankara Academy of Economic and Commercial Sciences. He started his professional career at the Bank's Maçka/Trabzon Branch as an Officer in 1984. He was appointed as an Assistant Supervisor in the Bayburt Branch in 1988, and served in the same position in the Yomra/Trabzon Branch, Bulancak/Giresun Branch and Trabzon Branch. After serving at Trabzon Branch as a Sub-Manager (from 1996) and as an Assistant Manager (from 1998), he was appointed as the Manager of the Park/Trabzon Branch in 1999, the Ordu Branch in 2000, the Gaziantep Branch in 2002 and the İzmit/Kocaeli Branch in 2005. Mr. Koçhan was appointed to the Bank's Board of Directors on November 3, 2008 and re-appointed on March 31, 2011. He has been serving as a member of the Credit Committee since May 30, 2011.

Aynur Dülger Ataklı (Director)

Born in Ankara in 1958, Aynur Dülger Ataklı graduated from the Department of Economics-Finance of the Faculty of Political Sciences at Ankara University, where she started her professional career in 1979 as a Research Assistant. She later served as an Assistant Specialist and Specialist at the State Planning Organization from 1980 to 1991. She attended a post-graduate program in the United States from 1987 to 1988 and the Senior Public Administration Techniques and European Union program at The Royal Institute of Public Administration in the United Kingdom in 1990. She served as a Specialist, Department Head and Deputy General Manager at the Undersecretariat of Treasury, General Directorate of Foreign Capital during the period from 1991 to 1998, and a Counselor at the Undersecretariat of Treasury from 1998 to 2011. Mrs. Ataklı was elected to the Bank's Board on March 31, 2011 and as a member of the Social Responsibility Committee on April 1, 2011.

M. Mete Başol (Director)

Born in İstanbul in 1957, Mehmet Mete Başol graduated from the Economics Department of Arizona State University. He has held various positions at Interbank from 1984 to 1988 and during the period from 1988 to 2001 he served as Deputy Chief Executive, Chief Executive Officer and Chairman of the Board at Turk Merchant Bank A.Ş., Bankers Trust A.Ş. and Deutsche Bank A.Ş., respectively. He has served as Managing Director at the Public Banks Joint Board for restructuring and rehabilitation practice from 2001 to 2003. Additionally, he has been a Counselor and Director at various financial institutions since 2003. Mr. Başol was elected to the Bank's Board on March 31, 2011 and was elected as an alternate member of the Credit Committee on April 1, 2011.

Mustafa Kıcalıoğlu (Director)

Born in Silifke in 1946, Mustafa Kıcalıoğlu graduated from the Faculty of Law of Ankara University and completed the Public Administration Postgraduate Expertise Program at the Public Administration Institute for Turkey and the Middle East. He began his career as a Judge in Silifke, then served as the Aralık and Giresun Deputy Public Prosecutor and then served as a Judge in Baskil, Çankırı, Kocaeli and Ankara. In 2001, Mr. Kıcalıoğlu was elected as a Member of the Supreme Court (serving as Head of the 4th Civil Chamber), where he remained until he retired. Mr. Kıcalıoğlu was elected to the Bank's Board on March 31, 2011.

Aysel Tacer (Director)

Born in Siverek/Şanlıurfa in 1959, Aysel Tacer graduated from the Business Administration Department of the Faculty of Economics and Administrative Sciences of Marmara University. She began her career at the Bank as an Officer at the Taksim Branch in 1980, served as an Assistant Supervisor and a Financial Analyst at the Credit Information and Financial Analysis Department from 1983 to 1989 and became an Assistant Loan Specialist in 1989 and an Assistant Manager in 1993 at the Şişli Branch. During the period from 1996 to 2011, she served as the Manager of the Akatlar, Çarşı Bakırköy, Bakırköy, Güneşli and Güneşli Corporate Branches. Ms. Tacer was elected to the Bank's Board on March 31, 2011, and on April 1, 2011 she was elected as a member of the Social Responsibility Committee and on May 30, 2011 was elected as an alternate member of the Credit Committee.

Hüseyin Yalçın (Director)

Born in Konya in 1947, Hüseyin Yalçın graduated from the Economics Department of the Faculty of Administrative Sciences of Middle East Technical University. He began his professional life as an elementary school teacher. He served as an Officer at Dışbank and Emlakbank, served as an Inspector, Assistant Manager, Branch Manager and Manager of the İzmir Region Foreign Operations at Ziraat Bank during the period from 1977 to 1990 and served as Deputy Chief Executive and General Manager Consultant at Development Bank of Turkey from 1990 to 2000. He served as Senior Deputy Chief Executive at Yurtbank, as Deputy Chief Executive at Sümerbank and as General Manager Consultant at Toprakbank from 2000 to 2002, after the transfer of those banks to the SDIF. Mr. Yalçın was elected to the Bank's Board on March 31, 2011.

Murat Vulkan (Director)

Born in Ankara in 1957, Murat Vulkan graduated from the English Language and Literature Department of the Faculty of Social and Administrative Sciences at Hacettepe University. He started his professional career at the Bank as an Officer at the Kızılay/Ankara Branch in 1982 and became Assistant Supervisor at the Ankara Branch in 1987. He became a Sub-Manager in 1993 and Assistant Manager in 1995. He was appointed as the Ereğli/Karadeniz Branch Manager in 1999 and the Kayseri Branch Manager in 2001. He was promoted as the Regional Manager of the İstanbul-Maltepe Region of SME Loans Underwriting Division in 2004 and became the Manager of the Yenişehir/Ankara and Başkent Corporate Branches in 2006 and 2007, respectively. Mr. Vulkan was elected to the Bank's Board on May 30, 2011.

A. Taciser Bayer (Auditor)

Born in İstanbul in 1953, A. Taciser Bayer graduated from the Faculty of Economics of İstanbul University. She started her professional career at the Bank's Arapcamii Branch as an Officer in 1973. She was appointed to Kadıköy Branch in 1975 and in 1976 she was promoted to the position of Assistant Supervisor at the same branch. In 1977, she was appointed to the Bank's Corporate Loans Department after she had worked at the Necatibey/Ankara Branch. She became a Supervisor in 1979, was appointed as a Sub-Manager in 1986 and became an Assistant Manager in 1988 at the same department. She was appointed to the Secretariat to the Board of Directors in 1990. She became a Unit Manager in 1993 and the Board Reporter in 1996. Ms. Bayer retired on February 27, 2009 and has been serving as the Bank's Auditor since March 31, 2009.

Kemal Ağanoğlu (Auditor)

Born in Trabzon in 1947, Kemal Ağanoğlu is a graduate of the Faculty of Economics of İstanbul University. He began his career in 1973 as an Assistant Inspector and served as an Assistant Manager at Foreign Operations Department in 1985 and at the Şişli Branch in 1987. Mr. Ağanoğlu became the Manager of the Yıldız Posta Caddesi and Nicosia (Lefkoşa)

Branches, the Manager of the Rıhtım/Kadıköy Branch in 1996, the Head of İstanbul Credit Information and Financial Analysis Division in 1998 and the Manager of the Taksim Branch in 2005. In 2007, Mr. Ağanoğlu was posted to Türkiye Şişe ve Cam Fabrikaları A.Ş. and retired in 2009. Mr. Ağanoğlu was elected as the Bank's Auditor on March 31, 2011.

Executive Committee

The Bank's Executive Committee consists of the Chief Executive Officer and the Deputy Chief Executives. The meetings of the Executive Committee are held once a month; *however*, the Chief Executive Officer may call for a meeting whenever it is necessary. Resolutions are made on a majority basis and require the approval of the Chief Executive Officer.

The Executive Committee is responsible for, among other things, preparing the strategies, policies, targets and the business plan of the Bank and assessing the Bank's performance. Members of the Executive Committee are:

Name	Position
Adnan Bali	Chief Executive Officer
Senar Akkuş	Deputy Chief Executive
Hakan Aran	Deputy Chief Executive
Ertuğrul Bozgedik	Deputy Chief Executive
Yılmaz Ertürk	Deputy Chief Executive
Serdar Gençer	Deputy Chief Executive
Suat İnce	Deputy Chief Executive
İlhami Koç	Deputy Chief Executive
Levent Korba	Deputy Chief Executive
Rıza İhsan Kutlusoy	Deputy Chief Executive
Mahmut Magemizoğlu	Deputy Chief Executive
Aydın Süha Önder	Deputy Chief Executive
Yalçın Sezen	Deputy Chief Executive

Additional information on each of these Deputy Chief Executives is set forth below:

Senar Akkuş

Born in Diyarbakır in 1969, Ms. Senar Akkuş graduated from the Economics Department of the Faculty of Economics and Administrative Sciences at the Middle East Technical University. She joined the Bank as an Assistant Specialist at the Treasury Department in 1991. After serving in various units of the Bank, she was appointed as Deputy Chief Executive in 2011.

Hakan Aran

Born in Antakya in 1968, Mr. Hakan Aran graduated from the Computer Engineering Department of the Faculty of Engineering at the Middle East Technical University. He holds a master's degree in Business Administration from the Başkent University, Institute of Social Sciences. He began his career at the Bank as a Software Specialist in the IT Department in 1990 and served in different positions in IT & Software Development Department. He was appointed Deputy Chief Executive in 2008.

Ertuğrul Bozgedik

Born in Kayseri in 1964, Mr. Ertuğrul Bozgedik graduated from the Economics Department of the Faculty of Political Sciences at Ankara University. He joined the Bank in 1986 as an Assistant Inspector on the Board of Inspectors and served in various units. He was appointed as Deputy Chief Executive in 2011.

Yılmaz Ertürk

Born in İstanbul in 1964. Mr. Yılmaz Ertürk is graduated from the Faculty of Economics at İstanbul University and received his master's degree from the same university, Institute of Social Sciences. In 1987, he joined the Bank as an

Assistant Specialist in Economic Research Division. He became an Assistant Specialist at the Treasury Department in 1990, an Assistant Manager in 1996 and a Unit Manager in 1998 at the same department. Mr. Ertürk became the Head of the Economic Research Division in 2003, Head of the International Banking Division in 2006 and Manager of the Kozyatağı Corporate Branch in 2011. Mr. Ertürk was appointed as Deputy Chief Executive on January 30, 2013.

Serdar Gençer

Born in Siverek in 1967, Mr. Serdar Gençer graduated from the Industrial Engineering Department of the Faculty of Engineering at the Middle East Technical University. He holds a master's degree in Business Administration from the University of Nottingham (UK). He began his career at the Bank as an Assistant Inspector on the Board of Inspectors in 1990 and served in various units of the Bank. He was appointed Deputy Chief Executive in 2008.

Suat İnce

Born in Ankara in 1964, Mr. Suat İnce graduated from the Department of Economics of the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He began his career at the Bank as an Assistant Inspector on the Board of Inspectors in 1987 and served in various units and branches of the Bank. He was appointed Deputy Chief Executive in 2008.

İlhami Koç

Born in Malatya in 1963, Mr. Koç graduated from Ankara University, Faculty of Political Sciences. Mr. Koç began his career at the Bank in 1986 on the Board of Inspectors. He became an Assistant Manager in 1994 at the Capital Markets Division, a Unit Manager responsible for Capital Markets and Portfolio Management at İş Yatırım Menkul Değerler A.Ş. in 1997, Deputy Chief Executive in 1999 at İş Yatırım Menkul Değerler A.Ş., Chief Executive Officer at İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. in 2001 and Chief Executive Officer at İş Yatırım Menkul Değerler A.Ş. in 2002. Mr. Koç was appointed as Deputy Chief Executive at İşbank on January 30, 2013.

Levent Korba

Born in Muğla in 1960, Mr. Levent Korba graduated from the English Language Department of Buca Faculty of Education at Dokuz Eylül University. He joined the Bank in 1986 as a Candidate Officer in İzmir Branch and served in various units and branches of the Bank. He was appointed as Deputy Chief Executive in 2011.

Rıza İhsan Kutlusoy

Born in İzmir in 1965, Mr. Rıza İhsan Kutlusoy graduated from the Business Administration Department of the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He joined the Bank in 1988 as an Assistant Inspector on the Board of Inspectors and served in various units and branches of the Bank. He was appointed as Deputy Chief Executive in 2011.

Mahmut Magemizoğlu

Born in Antakya in 1959, Mr. Mahmut Magemizoğlu graduated from the Business Administration Department of the Faculty of Administrative Sciences at the Middle East Technical University. He holds a master's degree in investment analysis from the University of Stirling (UK). He began his career at the Bank in 1982 as an Assistant Inspector on the Board of Inspectors and served in various units of the Bank. He was appointed Deputy Chief Executive in 2005.

Aydın Süha Önder

Born in İskilip in 1962, Mr. Aydın Süha Önder graduated from the Political Sciences and Public Administration Department of the Middle East Technical University. He joined the Bank in 1986 as a Candidate Officer in the Economic Research Department. Mr. Önder served in a number of units and branches of the Bank. He was appointed as Deputy Chief Executive in 2011.

Yalçın Sezen

Born in İzmir in 1965, Mr. Yalçın Sezen graduated from the Political Sciences and Public Administration Department of the Middle East Technical University, Faculty of Economics and Administrative Sciences. He joined the Bank in 1987 as an Assistant Inspector on the Board of Inspectors. After serving in various units of the Bank, he was appointed as Deputy Chief Executive in 2011.

Board Committees

In addition to the Executive Committee, the Board of Directors has established the Credit Committee, the Credit Revision Committee, the Audit Committee, the Risk Committee, the Turkish Republic of Northern Cyprus Internal Systems Committee, the Corporate Social Responsibility Committee and the Remuneration Committee.

Credit Committee. The Bank's Credit Committee consists of the Chief Executive Officer or his deputy, who is also the chairman of the Credit Committee, and two members of the Board of Directors. Each year, at the first Board meeting after the General Shareholders' Meeting, the members of the Credit Committee are determined. Two alternate committee members are also designated. Decisions of the Credit Committee relating to credit allocations require unanimous approval with each Credit Committee member having an opportunity to examine the credit file in question. Resolutions of the Credit Committee that have unanimous backing are executed directly while resolutions made on a majority basis are executed following the approval of the Board of Directors. The Credit Committee examined 140 credit files in 2011 and 100 in 2012.

Credit Revision Committee. The Credit Revision Committee was established within the context of the Bank's credit risk policy in order to ensure that after any revision of its loan portfolio at the end of the year, relations with credit customers are evaluated and, where necessary, the credit limits allocated are renewed or revised. In 2012, the Bank's Credit Revision Committee revised all the firms and institutions under the authority of the Board of Directors and Credit Committee and completed the examination and revision of limits for hundreds of group or individual companies and 29 correspondents.

Audit Committee. The Audit Committee consists of two members (a chairman and a member) that serve on the Board of Directors. The Audit Committee members are selected by the Board of Directors and currently consists of Füsun Tümsavaş and Prof. Dr. Savaş Taşkent. The Audit Committee informs the Board of Directors of the results of its activities and the measures that are required to be taken by the Bank, and offers its opinions on other matters that it considers to be significant for the Bank to conduct its business in a safe manner.

The Audit Committee is in charge of:

- ensuring that the Bank's internal systems function effectively and efficiently and that the Bank's accounting and reporting systems operate in compliance with the related regulations,
- carrying out the preliminary assessment of external auditors and rating agencies, evaluating and supporting service providers and monitoring on a regular basis the activities of the service providers selected by the Board of Directors,
- ensuring that the internal audit functions of subsidiaries that are subject to consolidation are being performed in line with the related regulations,
- reporting and advising to the Board of Directors in relation to the Bank's operations and activities, as well as the policies and regulations of its internal systems,
- evaluating the information and reports received from independent auditors and divisions that fall under the internal systems with respect to their activities,
- ensuring that the Bank's financial statements are in accordance with the relevant regulations, requirements and standards,

- where necessary, gathering information, reports and documents from the relevant units of the Bank or its supporting service providers and independent auditors and, subject to the approval of the Board of Directors, receiving consulting service from persons who are experts in their respective fields,

- carrying out its other regulatory duties and performing tasks assigned by the Board of Directors, and

- reporting to and advising the Board of Directors in relation to the results of its activities and the measures deemed necessary to be taken in order for the Bank to operate in a manner compliant with the relevant external and internal regulations and policies.

Risk Committee. The Risk Committee is responsible for formulating the risk management strategies and policies that the Bank will adhere to both on a consolidated and unconsolidated basis, presenting them to the Board of Directors for approval, and monitoring compliance with them. The Risk Committee is the common communication platform with the Bank's executive divisions in terms of assessing the risk to which the Bank is exposed, making suggestions about precautions to be taken and methods to be followed. The committee's principal duties include:

- preparing risk strategies and policies and presenting them to the Board of Directors for approval,

- adjudicating on and negotiating the issues raised by the Risk Management Division,

- recommending risk limits (including risk appetite limits, trading book limits, banking book limits, investment limits, loan concentration limits, industrial limits and liquidity risk limits) to the Board of Directors, monitoring the breach of risk limits and making recommendations to the Board of Directors regarding the treatment and elimination of those breaches,

- recommending to the Board of Directors changes in risk policies as circumstances require,

- monitoring risk identification, definition, measurement, assessment, and management processes carried out by the Risk Management Division, and

- monitoring the accuracy and reliability of the risk measurement methodologies and their results.

The Risk Committee is composed of the following members: Füsun Tümsavaş (Member of Board of Directors), Adnan Bali (CEO, Head of the Credit Committee), Ertuğrul Bozgedik (Deputy Chief Executive), Senar Akkuş (Deputy Chief Executive, Head of ALCO) and Gamze Yalçın (Head of the Risk Management Division). The Risk Committee is chaired by Ms. Tümsavaş.

The Risk Committee also contributes to the configuration of group risk policies through consolidated group meetings. In the activities that the Risk Committee carries out on a consolidated basis, the Deputy Chief Executive responsible for the Equity Participations Division and the Department Head of the Equity Participations Division also attend the meetings.

The Turkish Republic of Northern Cyprus ("TRNC") Internal Systems Committee. Due to its branches operating in the TRNC, the TRNC Internal Systems Committee was established under resolution No. 35546 of the Board of Directors dated June 15, 2009 in accordance with the Banking Law of the TRNC and other relevant regulations.

The TRNC Internal Systems Committee consists of two members: Füsun Tümsavaş and Prof. Dr. Savaş Taşkent. The TRNC Internal Systems Committee informs the Board of Directors of the results of its activities and the measures that are required to be taken by the Bank's branches in the TRNC, and renders its opinions on other matters that it deems to be significant for these branches to conduct their business in a safe and effective manner.

The TRNC Internal Systems Committee is responsible for ensuring that the internal systems that have been established with regard to the activities of the branches operating in the TRNC function effectively and efficiently and that the Bank's accounting and reporting systems in these branches operate within the framework of the related regulations, ensuring the integrity of information produced.

The TRNC Internal Systems Committee is also responsible for carrying out the preliminary assessment of external auditors as well as monitoring on a regular basis the activities of the service providers for other banking activities that have been selected by the Board of Directors and have signed an agreement with the Bank.

Corporate Social Responsibility Committee. The Corporate Social Responsibility Committee was established in accordance with the Regulation on Social Responsibility Practice (the "Social Regulation"), which was adopted under resolution No. 33784 of the Board of Directors dated November 7, 2007. The Committee operates in line with the Social Regulation principles, by considering the following basic fields of contribution: "Education," "Culture and Art," "Health," "Protection of the Environment" and "Other Activities."

Remuneration Committee. As per the resolution of the Board of Directors, dated December 29, 2011 and No. 38038, the Remuneration Committee was established for the purpose of executing functions and activities related to monitoring and controlling remuneration implementations of the Bank on behalf of Board of Directors. The Committee has two members; H. Ersin Özince, the Chairman of the Committee, and Prof. Dr. Savaş Taşkent, a member of the Committee.

The Committee holds meetings at least twice a year and informs the Board of Directors about the results of its own activities and its opinions on other important issues. The Remuneration Committee is responsible for monitoring and controlling policies related to remuneration management on behalf of the Board of Directors within the context of compliance to the Bank's Corporate Governance Principles, ensuring that remuneration is in compliance with the Bank's ethical values, internal balances and strategic goals. The committee is also responsible for evaluating remuneration policy and its implementation within the framework of risk management, submitting proposals to the Board of Directors that are in line with the requirements after examining remuneration policy and officiating other responsibilities in accordance with relevant legislation and tasks assigned by the Board of Directors within this framework.

Conflict of Interests

There are no actual or potential conflicts of interest between the duties of any of the members of the Board of Directors and the Executive Committee and their respective private interests or other duties.

Address

The business address of the Executive Committee is İş Kuleleri 34330 Levent, İstanbul, Turkey.

Remuneration

Monthly remunerations of the Board members and auditors are determined annually at the Bank's General Shareholders' Meetings and disclosed to the İSE. After the legal and extraordinary reserves fund and the first dividend have been allocated from the net profit of the Bank, 0.25% of the remaining balance is distributed among the members of the Board of Directors (including the Chief Executive Officer) equally.

The aggregate amount of the remuneration paid and benefits in hand granted to the members of the Board of Directors and senior management on a bank-only basis for 2012 was TL 15 million.

Corporate Governance

The Bank recognizes the importance of maintaining sound corporate governance practices. The relationship between the Bank's management, shareholders, employees and third parties including customers, legal authorities, suppliers and various other individuals and institutions with whom the Bank does business are based upon fundamental governance principles including integrity, credibility, non-discrimination, compliance, confidentiality, transparency, accountability and sustainability.

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. See also "Turkish Regulatory Environment – Corporate Governance Principles."

OWNERSHIP

The Bank was established in 1924 at the initiative of Mustafa Kemal Atatürk, the founder of modern Turkey. The Bank has three classes of shares, Class A Shares, Class B Shares and Class C Shares. For the principal differences among these three classes of shares, see "-Voting rights" and "-Privileges" below.

According to the Central Registry Agency, as of December 31, 2012: (a) the major shareholder of the Bank, with a 40.73% shareholding, was the İşbank Personnel Supplementary Pension Fund, which acts on behalf of both active and retired employees of the Bank, (b) 31.18% of the Bank's shares were on free float, and the remaining 28.09% were held by the CHP, which is the testamentary heir of the Bank share capital held initially by Mustafa Kemal Atatürk under his will dated as of September 5, 1938. Under such will and its interpretation by the Turkish courts, dividends on the share capital of the Bank held by the CHP are paid equally to the following two non-profit organizations: the Turkish Language Institute and the Turkish Historical Society.

As of December 31, 2012, the share capital of the Bank was TL 4,500,000,000 consisting of 112,502,250,000 fully paid-up shares. According to the Central Registry Agency, registered shareholdings in the Bank as of such date were as follows:

Shareholder	Shares(1)	Percentage
Pension Fund		
Class A Shares	35,532	0.0%
Class B Shares	948,830	0.0%
Class C Shares	45,815,309,717	40.7%
Sub-total	45,816,294,079	40.7%
Atatürk's Shares (the CHP)		
Class A Shares	27,568	0.0%
Class B Shares	823,769	0.0%
Class C Shares	31,603,348,766	28.1%
Sub-total	31,604,200,103	28.1%
Public Free Float		
Class A Shares	36,900	0.0%
Class B Shares	1,127,401	0.0%
Class C Shares	35,080,591,517	31.2%
Sub-total	35,081,755,818	31.2%
Total		
Class A Shares	100,000	0.0%
Class B Shares	2,900,000	0.0%
Class C Shares	112,499,250,000	100.0%
Total	**112,502,250,000**	**100.0%**

(1) Each Class A and B share has a nominal value of one Kuruş. Each Class C share has a nominal value of four Kuruş. One hundred Kuruş are equal to one Turkish Lira.

Dividends

Dividends are paid by the Bank from its net profit in accordance with its articles of incorporation. Under its articles of incorporation, the Bank is required to allocate 5% of its net profit towards its statutory reserve fund, 5% as a provision for probable losses and 10% as a first contingency reserve. From the balance of net profit, an amount equal to 6% of the Bank's paid-up share capital represented by Class A, B and C shares is distributed to the shareholders as a "first dividend." Should the net profit realized in any year be insufficient to provide for the first dividend of 6%, the balance is to be distributed out of the Bank's contingency reserve fund with such amount constituting a charge to be made up out of profits to be realized in subsequent years. Once the first dividend (and, where appropriate, the contingency reserve fund) is provided for, the balance of the net profit is distributed as follows: 10% for founder shares (limited to TL 250,000 of paid-up capital), 0.25% for the members of the Board of Directors (including the Chief Executive Officer) to be shared among them equally, 20% for the employees of the Bank and 10% as a second contingency reserve. Once these amounts have been distributed, the balance is distributed to the Bank's shareholders as a "second dividend" in accordance with the Bank's articles of incorporation.

The following table sets forth details of the Bank's dividend distributions pertaining to the indicated years (all of which consisted entirely of cash dividends).

	2010	**2011**	**2012**
Class A Shares	TL 284	TL 205	TL 271
Class B Shares	TL 4,995	TL 3,848	TL 4,797
Class C Shares	TL 690,869,466	TL 542,616,499	TL 665,259,329
Total	**TL 690,874,745**	**TL 542,620,552**	**TL 665,264,396**
Payout ratio (%)	23.2%	20.3%	20.1%

Preferential rights

Under the Bank's articles of incorporation, existing shareholders have preferential rights with respect to the purchase of new shares to be issued by the Bank. The duration and conditions of the exercise of these rights is to be determined by the Board of Directors in accordance with the relevant Turkish regulations. To the extent that these preferential rights are not exercised in respect of any new shares within the prescribed period, these shares are to be made available for subscription by the public.

Voting rights

At least one share is needed for participating in any Ordinary or Extraordinary General Assembly. Each share provides one vote to its owner.

Law 5274, which amended Turkish Commercial Code No 6762 and came into effect on January 1, 2005, provided that each share must have a minimum nominal value of one Kuruş. While Turkish Commercial Code No 6102 came into effect and abolished the Turkish Commercial Code No 6762 on July 1, 2012, Article 476 of Turkish Commercial Code No 6102 (which is in effect as of today) also provides that each share must have a minimum nominal value of one Kuruş. At the time that Law 5274 was passed, each Class A share had a nominal value of "old" TL 500 (which was the equivalent of 50,000 "old" Kuruş); *however*, following the translation of the Turkish Lira (conversion of "old" Turkish Lira to "new" Turkish Lira by removing six zeros from the currency), the Class A shares had a nominal value of 0.05 "new" Kuruş (TL 500 *divided by* TL 1,000,000). In order to comply with the above-mentioned requirement, the Bank held an Extraordinary General meeting on July 25, 2007, during which shareholders passed a resolution to bundle 20 previous Class A shares each with a nominal value of 0.05 Kuruş into one Class A share, each with a nominal value of one Kuruş. As a result, each current Class A share gives its holder 20 voting rights.

Despite having a lower nominal value, Class B shares, each with a nominal value of one Kuruş, have the same voting rights as the Class C shares, each with a nominal value of four Kuruş. Votes may be cast by proxy.

Privileges

Because each current Class A share is a bundle of 20 of the previously issued Class A shares, holders of current Class A shares have additional privileges according to Articles 18 and 19 of the Bank's articles of incorporation. For example, holders of Class A shares: (a) can receive 20 times the number of additional shares in a possible distribution of bonus shares issued from the conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws and (b) are eligible to exercise 20 times the preference rights per Class A Share.

Furthermore, Class A and B shares, each with a nominal value of one Kuruş, are granted privileges in distribution of profits pursuant to Article 58 of the Bank's articles of incorporation.

Major Shareholders

İşbank Personnel Supplementary Pension Fund

The Pension Fund is a separate legal entity from the Bank and is organized as a private Turkish "foundation" under the Turkish Civil Law, operating within the Turkish Regulations of Foundations. All active and retired Turkish employees of the Bank are members of the Pension Fund. The aim of the Pension Fund is to provide higher pensions to the Bank's employees when they retire and to provide both employees and pensioners with various social benefits.

Atatürk's Shares (The CHP)

The CHP is the testamentary heir of the Bank's share capital held initially by Mustafa Kemal Atatürk. The CHP was founded on September 9, 1923 approximately one and a half months before the proclamation of the Republic of Turkey. The CHP is the first official political party of the Republic of Turkey and was established by Mustafa Kemal Atatürk, who was also the founder of the Bank. Atatürk remained the chairman of the CHP until his death in 1938 when, in line with the provisions of his will, his shares in the Bank were transferred to the CHP.

Under Atatürk's will, any dividends on the share capital of the Bank held by the CHP are paid to the Turkish Language Institute and the Turkish Historical Society. Therefore, the CHP enjoys only representative rights in relation to their shares derived from Atatürk's bequest.

Other Shareholders

The remaining shares are on free float held by other individual or institutional shareholders who together owned 31.2% of the Bank's shares according to Central Registry Agency data as of December 31, 2012.

RELATED PARTY TRANSACTIONS

The Bank and its qualified shareholders, Board of Directors (including the Chief Executive Officer) and the undertakings that they control individually or jointly, directly or indirectly or in which they participate with unlimited responsibility or where they are members of board of directors or general manager are considered and referred to as related parties. The Bank enters into transactions with related parties in the ordinary course of its business and on an arm's length basis and will continue to do so in the future. See also "Business of the Group – Related Party Transactions."

Restrictions relating to loans extended by the Bank to the members of its Board of Directors are defined in Article 50 of the Banking Law. The Bank does not extend loans to the members of its Board of Directors other than those allowed by the law.

None of the members of the Bank's Board of Directors or executive officers has or has had any interest in any transaction effected by the Bank and that are or were unusual in their nature or conditions or significant to the business of the Bank and that were effected during the current or immediately preceding financial year or were effected during an earlier financial year and remain in any respect outstanding or unperformed. None of these individual transactions are material.

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group must not be more than 20% of its own funds. As at December 31, 2012, the Bank's total net exposure to its risk group totaled TL 2,502 million, an amount corresponding to 10.1% of its own funds; the Bank is therefore within the limits of the Banking Law in terms of its exposure to its subsidiaries and other affiliates.

The following table shows the breakdown of the Group's business transactions with related parties as of the dates indicated.

	December 31,					
	2010		**2011**		**2012**	
	Amount	**Percentage of Related Item**	**Amount**	**Percentage of Related Item**	**Amount**	**Percentage of Related Item**
	(*TL thousands, except percentages*)					
Cash loans............	460,281	0.67%	702,189	0.71%	567,177	0.49%
Non-cash loans	1,733,947	10.55%	2,458,207	9.01%	1,527,460	5.08%
Deposits................	2,287,626	2.59%	2,133,162	2.16%	2,291,383	2.16%
Derivatives............	—	0.00%	188,145	0.25%	817	0.00%

TURKISH BANKING SYSTEM

Structural Changes in the Turkish Banking System

The Turkish financial sector has gone through major structural changes as a result of the financial liberalization program that started in the early 1980s. The abolition of directed credit policies, liberalization of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to US$4,916 million at the end of 2001 from US$8,056 million for 28 banks at the end of 2000, according to the Banks Association of Turkey.

The Turkish money markets and foreign exchange markets have stabilized since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and 2002, after which all private commercial banks were either found to be in compliance with the 8% minimum capital requirement, transferred to the SDIF or asked to increase their capital level). The transparency of the system has improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the banking sector and resulted in a more level playing field among banks. Certain advantages for state banks were diminished while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, among other things, weakened financial stability and liquidity, and efforts are continuing on the resolution of the SDIF banks while restructuring and privatization of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilization Support Fund ("*RUSF*") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero; *however*, the 3% RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. In addition, effective from January 2, 2013 RUSF rates for cross-border foreign exchange borrowings extended by financial institutions outside of Turkey with an average maturity of between one to two years changed from 0% to 1% and those with an average maturity of between two to three years changed from 0% to 0.5%, while those with an average maturity of three years or more remained at 0%. The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10% to 15% in order to curb domestic demand fueled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers determined the RUSF charged on consumer credits to be utilized by real persons (for non-commercial utilization) to 15% with its decision numbered 2010/974, which was published in the Official Gazette dated October 28, 2010 and numbered 27743.

The Turkish Banking Sector

The Turkish banking industry has undergone significant consolidation over the past decade with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 on December 31, 2008, which stayed at that level until February 2011 when Fortis Bank A.Ş. merged with Turk Ekonomi Bankası A.Ş. In October 2012, Odea Bank A.Ş. commenced operations. A number of banks were transferred to the SDIF and eventually removed from the banking system through mergers or liquidations. The table below shows the evolution of the number of banks in the Turkish banking system as of the end of each indicated year.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of banks..........	54	50	48	47	46	46	45	45	45	44	45

Source: Banks Association of Turkey (www.tbb.org.tr)
Note: Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).

As of December 31, 2012, 45 banks were operating in Turkey, including the newest Turkish bank (Odea Bank A.Ş.), which was granted an operating license in September 2012 and is the first bank since 1997 to obtain a license to establish a deposit bank in Turkey. Thirty-two of these were deposit-taking banks and the remaining banks were investment and development banks (four participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, 12 were private domestic banks, 16 were private foreign banks and one was under the administration of the SDIF. On December 20, 2012, the BRSA resolved to permit the establishment of a new deposit bank to be controlled by Bank of Tokyo-Mitsubishi UFJ Ltd.; *however*, this bank has not yet started operations.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium-and long-term funding for investment in different sectors.

Deposit-taking Turkish banks' total balance sheets have grown at a compound average growth rate ("*CAGR*") of 17.6% from December 31, 2006 to December 31, 2012, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 23.4% and 16.0%, respectively, between December 31, 2006 and December 31, 2012, in each case according to the BRSA. Despite strong growth of net loans and customer deposits since 2006, the Turkish banking sector remains significantly under-penetrated compared with banking penetration in the eurozone. Loans/GDP and deposits/GDP ratios of the Turkish banking sector were 49.9% and 50.5%, respectively, as of December 31, 2012 according to BRSA data, whereas the eurozone's banking sector had loan and deposit penetration ratios of 128.9% and 115.3%, respectively, as of the same date based upon the European Central Bank's data.

The following table shows key indicators for deposit-taking banks in Turkey as of (or for the year ended on) the indicated dates.

	As of (or for the year ended) December 31,							
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**CAGR**
	(TL millions, except CAGR)							
Balance sheet								
Loans	202,467	262,572	338,091	355,285	479,018	621,379	716,307	23.4%
Total assets	470,635	543,272	683,823	773,357	932,371	1,119,911	1,247,574	17.6%
deposits	296,495	342,031	435,554	487,909	583,947	656,276	723,963	16.0%
Shareholders' equity	50,409	64,533	72,060	93,833	114,979	123,007	157,492	20.9%
Income statement								
Net Interest Income	19,607	23,978	28,245	38,758	35,895	36,056	47,837	16.0%
Net Fees and Commission Income	6,420	7,894	9,611	10,846	11,459	13,345	14,699	14.8%
Total income	33,414	39,744	45,339	57,275	58,955	61,669	73,826	14.1%
Net Profit	10,243	13,468	11,851	18,490	20,518	18,177	21,589	13.2%
Key ratios								
Loans/deposits	68.3%	76.8%	77.6%	72.8%	82.0%	94.7%	98.9%	
Net interest margin	5.1%	5.3%	5.1%	5.9%	4.7%	3.7%	4.3%	
Return on average equity	21.1%	23.4%	17.7%	22.3%	19.9%	15.4%	16.9%	
Capital adequacy ratio	19.9%	17.4%	16.6%	19.3%	17.7%	15.5%	17.3%	

Source: BRSA monthly bulletin (www.bddk.org.tr)

Competition

The Turkish banking industry is highly competitive and relatively concentrated with the top 10 deposit-taking banks accounting for 90.7% of total assets of deposit-taking banks as of December 31, 2012 according to the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks – Ziraat Bank, Halkbank and Vakıfbank, which were ranked second, sixth and seventh, respectively, in terms of total assets as of December 31, 2012 according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 28.1% of deposit-taking Turkish banks' performing loans and 36.6% of total deposits as of December 31, 2012. The top four privately-owned domestic banks are the Bank, Türkiye Garanti Bankası A.Ş. ("*Garanti*"), Akbank A.Ş. ("*Akbank*") and Yapı ve Kredi Bankası A.Ş. ("*Yapı Kredi Bank*"), which in total accounted for approximately 49.1% of deposit-taking Turkish banks' performing loans and approximately 54.8% of total deposits as of December 31, 2012. The remaining banks in the top 10 deposit-taking banks in Turkey include three mid-sized banks, namely Finansbank A.Ş. ("*Finansbank*"), Türk Ekonomi Bankası and Denizbank A.Ş. ("*Denizbank*"), which were controlled by National Bank of Greece, TEB Holding and Sberbank, respectively, as of December 31, 2012.

The following table shows major shareholders, key indicators and market shares of the top 10 deposit-taking banks ranked by total assets in the Turkish banking sector as of December 31, 2012.

Rank by Assets	Bank	Major Shareholders	Assets (US$ millions)	Assets market share	Loans market share(1)	Deposits market share	Branches
1	Işbank	İşbank Personnel Supplementary Pension Fund (40.7%), Cumhuriyet Halk Partisi (28.1%)	98,288	14.1%	14.7%	14.5%	1,250
2	Ziraat Bank	Treasury (100%)	91,242	13.1%	9.7%	16.4%	1,514
3	Garanti	Doğuş Group (24.2%), BBVA (25.0%)	89,744	12.8%	12.6%	12.0%	933
4	Akbank	Sabancı Holding, affiliates and family (49.0%), Citigroup (9.9%)	87,313	12.5%	12.0%	11.8%	962
5	Yapı Kredi Bank	Koç Financial Services(2) (81.8%)	68,448	9.8%	10.3%	9.4%	928
6	Halkbank	Privatization Administration (51.1%)	60,662	8.7%	9.0%	11.0%	821
7	VakıfBank	General Directorate of Foundations (58.6%)	58,588	8.4%	9.3%	9.3%	744
8	Finansbank	National Bank of Greece (94.8%)	30,477	4.4%	5.0%	4.5%	582
9	Türk Ekonomi Bankası	TEB Holding (55.0%)(3), BNP Paribas (40.4%)	24,388	3.5%	4.0%	4.0%	509
10	Denizbank	Sberbank (99.85%)	24,761	3.5%	3.8%	3.7%	610

Source: Banks Association of Turkey (www.tbb.org.tr) and BRSA (www.bddk.org.tr)
Note: Rankings and market shares among deposit-taking banks only.
Note: The Banks Association of Turkey's definition of branch varies from the Bank's definition. Therefore, the information provided above may differ slightly from what is provided elsewhere in this Offering Circular.
(1) Performing loans only are included.
(2) Koç Financial Services is a 50/50 joint venture owned by the Unicredit Group and Koç Holding.
(3) TEB Holding is a 50/50 joint venture between BNPP Fortis Yatırım Holding A.Ş. and Çolakoğlu Group.

The Bank's management perceives the other large private banks as its primary competitors. The table below compares certain financial information for the Bank's branches and those of the four largest private competitors mentioned above as of December 31, 2012:

Banks	Number of Branches	Per Branch		
		Total Assets	Loans[1]	Customer Deposits
			(TL millions)	
The Bank	1,250	140.4	85.4	84.3
Garanti	933	171.7	98.2	93.8
Akbank	962	162.0	91.0	89.5
Yapı Kredi	928	131.7	80.6	73.3
Vakıfbank	744	140.6	91.2	90.4

Source: BRSA and the banks' financials as of December 31, 2012.

(1) Performing loans only are included.

TURKISH REGULATORY ENVIRONMENT

Regulatory Institutions

Turkish banks and branches of foreign banks in Turkey are primarily governed by two regulatory authorities in Turkey, the BRSA and the Central Bank.

The Role of the BRSA

In June 1999, the Banks Act No. 4389 established the BRSA, which is responsible for ensuring that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. The BRSA has administrative and financial autonomy. Historically, the BRSA's head office has been in Ankara; *however*, as of February 13, 2011 and pursuant to Law No. 6111, the head office was relocated to İstanbul with the migration of functions from Ankara to İstanbul to be completed within two years of such date. Pursuant to Law No. 6111, the Council of Ministers of Turkey has been authorized to extend the migration deadline as necessary.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of the authority granted to it by the Banking Law. The BRSA is obliged and authorized to take and implement any decisions and measures in order to prevent any transaction or action that could jeopardize the rights of depositors and the regular and secure operation of banks and/or could lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

The BRSA has responsibility for all banks operating in Turkey, including foreign banks and participation banks. The BRSA sets various mandatory ratios such as capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to the Regulation regarding the Internal Systems of Banks, as issued by the BRSA and published in the Official Gazette dated June 28, 2012 and numbered 28337, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their organizations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

The Role of the Central Bank

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, provision of price stability and its continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently of the government. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorized and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis depending upon the nature of the information to be reported.

The Banks Association of Turkey

The Banks Association of Turkey is an organization that provides limited supervision of and coordination among banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; *however*, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee (or the issuance of new shares with such privileges) is also subject to the authorization of the BRSA. In the absence of such authorization, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares.

The board of directors of a bank is responsible for taking necessary measures to ascertain that shareholders attending general assemblies have obtained the applicable authorizations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorization as described in the preceding paragraph, then it is authorized to direct the board of directors of a bank to start the procedure to cancel such applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without authorization by the BRSA. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

Turkish law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognized as loans by the BRSA. Avals, guarantees and sureties accepted from, a real person or legal entity in a risk group for the guarantee of loans extended to that risk group are not taken into account in calculating loan limits.

- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital.

In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a member of a board of directors or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of the board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the Banking Regulation and Supervisory Board's discretion to increase such lending limits up to 25% or to lower it to the legal limit. Real and legal persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

- Loans made available to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits by the framework for calculating loan limits set by the BRSA.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

(a) transactions backed by cash, cash-like instruments and precious metals,

(b) transactions carried out with the Undersecretariat of Treasury, the Central Bank, the Privatization Administration and the Housing Development Administration of Turkey or against bonds, bills and other securities issued by or payment of which is guaranteed by these institutions,

(c) transactions carried out in money markets established by the Central Bank or pursuant to special laws,

(d) any increase in credits resulting from an increase in the value of the respective currency and interests accrued, profit shares and other charges on overdue credits provided that subsequently allocated credits in a foreign currency are to be taken into consideration at the exchange rate applied on the date of utilization thereof for calculation of lines of credit in the event a new credit is allocated to the same person,

(e) equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any payment,

(f) transactions carried out among banks on the basis set out by the BRSA,

(g) equity participations acquired through underwriting commitments in public offerings, provided that such participations are disposed of in a manner and at a time determined by the BRSA,

(h) transactions that are taken into account as deductibles in calculation of own funds, and

(i) other transactions to be determined by the BRSA.

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve adequate level of provisions against impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring the loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year they are set aside.

Procedures relating to loan loss reserves for non-performing loans are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to classify their loans and receivables into one of the following groups:

I. *Loans of a Standard Nature and Other Receivables*: This group involves loans and other receivables:

(1) that have been disbursed to natural persons and legal entities with financial creditworthiness,

(2) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,

(3) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and that can be fully collected, and

(4) for which no weakening of the creditworthiness of the applicable debtor has been found.

The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; *however*, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than five times the sum of 1% of the cash loan portfolio *plus* 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) is required to be set aside, and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 2.5 times the Consumer Loans Provisions (as defined below) for amended consumer loan agreements (other than vehicle and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; *provided* that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

II. *Loans and Other Receivables Under Close Monitoring*: This group involves loans and other receivables:

(1) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialization of the latter or significant financial risk carried by the person utilizing the loan,

(2) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk,

(3) that are very likely to be repaid but the due dates are delayed for more than 30 days for justifiable reasons but not falling within the scope of "Loans and other Receivables with Limited Recovery" set forth under Group III below, or

(4) although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a loan customer has multiple loans and one of these loans is classified in Group II and others are classified in Group I, then all of such customer's loans are required to be classified in Group II. The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; *however*, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than 2.5 times the sum of 2% of the cash loan portfolio *plus* 0.4% of the non-cash loan portfolio for closely-monitored loans are required to be set aside and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 1.25 times the Consumer Loans Provisions for amended consumer loan agreements (other than vehicle and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; *provided* that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

III. *Loans and Other Receivables with Limited Recovery*: This group involves loans and other receivables:

(1) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and in case the problems observed are not eliminated, they are likely to cause loss,

(2) the credibility of whose debtor has weakened and where the loan is deemed to have weakened,

(3) collection of whose principal and interest or both has been delayed for more than 90 days but not more than 180 days from the due date, or

(4) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

IV. *Loans and Other Receivables with Suspicious Recovery*: This group involves loans and other receivables:

(1) that seem unlikely to be repaid or liquidated under existing conditions,

(2) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement,

(3) whose debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase, or

(4) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

V. *Loans and Other Receivables Considered as Losses*: This group involves loans and other receivables:

(1) that are deemed to be uncollectible,

(2) collection of whose principal or interest or both has been delayed by one year or more from the due date, or

(3) for which, although sharing the characteristics stated in Groups III and IV, the bank is of the opinion that they have become weakened and that the debtor has lost his creditworthiness due to the strong possibility

that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Pursuant to Article 53 of the Banking Law, banks must calculate the losses that have arisen, or are likely to arise, in connection with loans and other receivables. Such calculations must be regularly reviewed. Banks must also reserve adequate provisions against depreciation or impairment of other assets, qualify and classify assets, receive guarantees and security and measure the reliability and the value of such guarantees and security. In addition, banks must monitor loans under review and monitor the repayment of overdue loans and establish and operate systems to perform these functions. All provisions set aside for loans and other receivables in accordance with this article are considered expenditures deductible from the corporate tax base in the year they are set aside. Pursuant to the amendment dated September 21, 2012 made on the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month on which the payment of such loans and receivables has been delayed.

The Regulation on Provisions and Classification of Loans and Receivables also requires Turkish banks to provide a general reserve calculated at 1% of the cash loan portfolio *plus* 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) for standard loans; and a general reserve calculated at 2% of the cash loan portfolio *plus* 0.4 % of the non-cash loan portfolio for closely-monitored loans. In addition, 25% of such rates will be applied for each check that remains uncollected for a period of five years after issuance. Pursuant to the amendment dated September 21, 2012 made on Regulation on Provisions and Classification of Loans and Receivables, at least 40% of the reserve amount calculated according to the above mentioned ratios shall be reserved by December 31, 2012, at least 60% shall be reserved by December 31, 2013, at least 80% shall be reserved by December 31, 2014 and 100% shall be reserved by December 31, 2015.

Banks with consumer loan ratios greater than 20% of their total loans and banks with non-performing consumer loan (classified as frozen receivables (excluding vehicle and housing loans)) ratios greater than 8% of their total consumer loans (excluding vehicle and housing loans) (pursuant to the unconsolidated financial data prepared as of the general reserve calculation period) are required to set aside a 4% general provision for outstanding (but not yet due) consumer loans (excluding vehicle and housing loans) under Group I, and an 8% general provision for outstanding (but not yet due) consumer loans (excluding vehicle and housing loans) under Group II (the "*Consumer Loans Provisions*").

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and pre-financing loans without letters of guarantee of a bank is higher than ten times its equity calculated pursuant to the Regulation on Equities of Banks published in the Official Gazette No. 26333 dated November 1, 2006 (the "*BRSA Equities Regulation*"), a 0.3% general provision ratio is required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA may apply the same ratio or a higher ratio as the general reserve requirement ratio.

Turkish banks are also required to set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Instruments" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the "Regulation on Loan Transactions of Banks" (published in the Official Gazette No. 26333 on November 1, 2006) by applying the general provision rate applicable for cash loans. In addition to the general provisions, special provisions must be set aside for the loans and receivables in Groups III, IV and V at least in the amounts of 20%, 50% and 100%, respectively. An amount equal to 75% less special provisions is set aside for each check slip of customers who have loans under Groups III, IV and V, which checks were delivered by the Bank at least five years previously; *however*, if a bank sets aside specific provisions at a rate of 100% for non-performing loans, then it does not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, are defined as "frozen receivables." If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a frozen receivable, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable. If a frozen receivable is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if there were no related frozen receivable.

Pursuant to the amendment dated September 21, 2012 made to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA is entitled to increase the provision rates taking into account the sector and country risk status of the borrowers.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: (a) cash, deposit, profit sharing fund and gold deposit accounts that are secured by pledge or assignment agreements, promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Housing Development Administration of Turkey or the Privatization Administration and funds gained from repo transactions over similar securities and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within the applicable bank, (b) transactions executed with the Treasury, the Central Bank, the Housing Development Administration of Turkey or the Privatization Administration and transactions made against promissory notes, debenture bonds and similar securities issued directly or guaranteed by such institutions, (c) securities issued directly or guaranteed by the central governments or central banks of countries that are members of the Organization for Economic Co-operation and Development (the "*OECD*"), (d) guarantees and sureties given by banks operating in OECD member states, (e) securities issued directly or guaranteed by the European Central Bank, (f) sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits and (g) bonds and debentures issued by banks operating in Turkey.

Category II Collateral: (a) precious metals other than gold, (b) shares quoted on a stock exchange and A-type investment profit sharing funds, (c) asset-backed securities and private sector bonds except ones issued by the borrower, (d) credit derivatives providing protection against credit risk, (e) the assignment or pledge of accrued entitlements of real and legal persons from public agencies, (f) liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value, (g) mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate, provided that their appraised value is sufficient, (h) export documents based upon marine bill of lading or transport bills, or insured within the scope of an exportation loan insurance policy, and (i) bills of exchange stemming from actual trading relations, which are received from natural persons and legal entities.

Category III Collateral: (a) commercial enterprise pledges, (b) other export documents, (c) vehicle pledges, (d) mortgages on aircraft or ships, (e) sureties from real or legal persons whose creditworthiness is higher than the debtor itself and (f) promissory notes of real and legal persons.

Category IV Collateral: any other security not otherwise included in Category I, II or III.

Assets owned by banks and leased to third parties under financial lease agreements must also be classified in accordance with the above-mentioned categories.

When calculating the special reserve requirements for frozen receivables, the value of collateral received from an applicable borrower is deducted from such borrower's loans and receivables in Groups III, IV and V above in the following proportions in order to determine the amount of the required reserves:

Category	**Discount Rate**
Category I collateral	100%
Category II collateral	75%
Category III collateral..................................	50%
Category IV collateral..................................	25%

In case the value of the collateral exceeds the amount of the NPL, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the NPL.

According to Article 11 of the Regulation on Provisions and Classification of Loans and Receivables, in the event of a borrower's failure to repay loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether Group III, IV or V) for at least the next six-month period and, within such period, provisions continue to be set aside at the special provision rates applicable to the group in which they are included. After the lapse of such six-month period, if total collections reach at least 15% of the total receivables for restructured loans, then the remaining receivables are reclassified to the "Renewed/Restructured Loans Account." The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; *provided* that at least 20% of the principal and other receivables are collected on a yearly basis.

The Regulation on Provisions and Classification of Loans and Receivables has been the subject of a series of amendments, the most recent of which was on December 25, 2012. According to Provisional Articles 5 and 7 of the regulation, which will be effective until December 31, 2013, debt classified as Closely Monitored Loans and Other Receivables (*i.e.*, Group II receivables) granted to real persons or legal entities residing in or engaged in activities relating to Libya and Syria can be restructured twice. Furthermore, such restructured debt may be classified as Standard Loans and Receivables (*i.e.*, Group I receivables), provided that at least 10% of the total debt has been repaid. Any such debt classified under Group I that is reclassified as Group II or that is restructured or is continued to be monitored under Group II as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as Group I, provided that at least 15% of the total debt has been repaid. If such debt becomes subject to a redemption plan for a second time as a result of new loans having been utilized, then such debt shall be classified as Loans and Receivables with Limited Collection Ability (*i.e.*, Group III receivables) until 5% of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for Group III, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Articles 5 and 7 described above, if real persons or legal entities residing in Libya or Syria or having business activity relating to Libya or Syria, respectively, (other than those described in the preceding paragraph) incur other debt that is classified under Group III, IV or V, then such debts were (or, as applicable, will be) reclassified in the same group with debts relating to (respectively) Libya and Syria (through December 31, 2013); *however*, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of the bank. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to the paragraph above may be reclassified as "Refinanced/Restructured Loans and Receivables Account" if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of at least three months,
- at least 10% of the total debt in the second restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of six months,
- at least 15% of the total debt in the third restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of one year, and
- the payments foreseen in the payment plan are not delayed.

Furthermore, Provisional Article 6 of the Regulation on Provisions and Classification of Loans and Receivables, which will be effective until December 31, 2013, provides for a similar regime for receivables relating to loans to be used in the maritime sector as applied to loans and other receivables relating to Libya and Syria.

Capital Adequacy

In order to implement the rules of the report entitled "International Convergence of Capital Measurement and Capital Standards: a Revised Framework" published by the Basel Committee on Banking Supervision (the "*Basel Committee*") in June 2004 (commonly referred to as "*Basel II*") into Turkish law, on June 28, 2012, the BRSA issued a new regulation on measurement and assessment of capital adequacy of banks, which entered into force on July 1, 2012. Article 45 of the Banking Law defines "Capital Adequacy" as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%.

The BRSA is authorized to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank's internal systems as well as its asset and financial structures. Both the minimum total capital adequacy ratio and the minimum consolidated capital adequacy ratio for the Group as required by the BRSA is currently 8%. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio of 8%.

Under the BRSA Equities Regulation, subordinated loans (which as defined can also include bonds) to a bank are grouped as "primary subordinated loans" and "secondary subordinated loans" and are listed as one of the items that constitute "Tier II" capital. The portion of primary subordinated loans equal to an amount from 15% up to 50% of "Tier I" capital is included in the calculation of "Tier I" capital. The portion of total subordinated debts and primary subordinated debts that exceed 50% of "Tier I" and the portion of general reserves that exceeds 125 per 10,000 of the total of the sum as a basis for credit risk, market risk and operational risk is not taken into consideration in calculating the "Tier II" capital.

See also a discussion of the potential implementation on Basel III in "Basel III" below.

Tier II Rules under Turkish Law. Secondary subordinated debts are regulated under the BRSA Equities Regulation. According to this regulation, the net worth of a bank (*i.e.*, the bank's own funds) consists of main capital and supplementary capital *minus* capital deductions. In the relevant definition, "secondary subordinated loans" (which as defined can also include bonds) are listed as one of the items that constitute a bank's supplementary capital (*i.e.*, "Tier II" capital); *however*, loans provided to the banks by their affiliates or debt instruments issued to their affiliates do not fall within the scope of such "secondary subordinated loans." Unless temporarily permitted by the BRSA in exceptional cases, the portion of primary subordinated debts that is not included in the calculation of "Tier I" capital *plus* the total secondary subordinated debts that, in aggregate, exceeds 50% of "Tier I" capital is not taken into consideration in the calculation of "Tier II" capital. During the final five years of a secondary subordinated debt, the amount thereof to be taken into account in the calculation of the "Tier II" capital would be reduced by 20% per year. In addition, any secondary subordinated debt with a remaining maturity of less than one year is not included in the calculation of "Tier II" capital. Any cash credits extended by the bank to the provider(s) of the "secondary subordinated loans" (if debt instruments, to the investor(s) holding 10% or more thereof) and any debt instruments issued by such provider(s) (or investor(s)) and purchased by the bank are also deducted from the amount to be used in the calculation of the Tier II capital. A secondary subordinated debt is taken into account in the calculation of "Tier II" capital on the date of the accounting of such secondary subordinated debt on the books of the relevant bank.

The BRSA Equities Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a "secondary subordinated loan". In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarized copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original to be made after receipt of the BRSA's consent). The BRSA would, in considering any such request for its permission, determine if the credit in question meets the following criteria:

(a) the debt must have an initial maturity of at least five years and the agreement must contain express provisions that prepayment of the principal cannot be made before the expiry of the five-year period and the creditors waive their rights to make any set-offs against the bank with respect to such debt; *it being understood* that interest and other charges may be payable during such five year period,

(b) there may be no more than one repayment option before the maturity of the debt and, if there is a repayment option before maturity, the date of exercising the option must be clearly defined,

(c) the creditors must have agreed expressly in the agreement that in the event of dissolution and liquidation of the bank, such debt will be repaid before any payment to shareholders for their capital return and payments on primary subordinated debts but after all other debts,

(d) it must be stated in the agreement that the debt is not related to any derivative operation or contract violating the condition stated in clause (c) or tied to any guarantee or security, in one way or another, directly or indirectly, and the debts cannot be assigned to any affiliates of the bank,

(e) it must be utilized as one single drawdown if utilized in the form of a loan and it must be wholly collected in cash if in the form of a debt instrument, and

(f) payment before maturity is subject to approval of the BRSA.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorize the inclusion of the loan or debt instrument in the calculation of "Tier II" capital.

In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilization), they would be required to apply for the BRSA's permission. Upon any such application, the BRSA would, in its sole discretion, determine if any such prepayment would adversely affect the bank's credit lines and limits or its compliance with the applicable standard ratios and give or decline to give its consent accordingly.

In connection with secondary subordinated debts pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (*i.e.*, not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the criteria stated above.

The most significant difference between the capital adequacy regulations in place before July 1, 2012 and the new Basel II regulations (discussed further in "Basel II" below) is on the calculation of risk-weighted assets related to credit risk. The new regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks will largely stem from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0% risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50% or 100% risk weighting for Turkey depending upon the selection of the rating agency; *however*, the Turkish law implementing Basel II principles in Turkey (*i.e.*, the "Turkish National Discretion") revises this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign currency-denominated claims on the Central Bank will also have a 0% risk weight. As a result of these implementation rules, the impact of the new regulations has been fairly limited when compared to the previous regime. The BRSA has announced that the migration from the previous regime to Basel II regulations has had an effect of an approximately 0.20% decline in the capital adequacy levels of the Turkish banking system as of July 31, 2012. This figure is consistent with the Bank's own experience and thus no additional capital needs are projected for the Bank in the short term due to this change in the regulatory capital adequacy framework.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

The reserve requirements regarding foreign currency liabilities vary by category, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits, private current accounts, precious metal deposit accounts, deposit accounts, deposit/participation accounts up to 1-month, 3-month, 6-month and 1-year maturities	12.5%
Deposit/participation accounts and precious metal deposit accounts up to 1-year and longer maturities and cumulative deposits/participation accounts	9%
Other liabilities up to 1-year maturity (including 1-year)	12.5%
Other liabilities up to 3-year maturity (including 3-year)	10.5%
Other liabilities longer than 3-year maturity	6%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	11.5%
Deposits/participation accounts up to 1-month maturity (including 1-month)	11.5%
Deposits/participation accounts up to 3-month maturity (including 3-month)	11.5%
Deposits/participation accounts up to 6-month maturity (including 6-month)	8.5%
Deposits/participation accounts up to 1-year maturity	6.5%
Deposits/participation accounts up to 1-year and longer maturities and cumulative deposits/participation accounts	5%
Other Turkish Lira liabilities up to 1-year maturity (including 1-year)	11.5%
Other Turkish Lira liabilities up to 3-years maturity (including 3-years)	8%
Other Turkish Lira liabilities longer than 3-year maturity	5%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements also apply to gold deposit accounts. Furthermore, pursuant to recent amendments to the communiqué regarding reserve requirements numbered 2005/1 issued by the Central Bank (the "*Communiqué Regarding Reserve Requirements*"), banks are permitted to maintain, starting from April 26, 2013: (a) up to 60% (at least half of which must be in US Dollars) of the Turkish Lira reserve requirements in US Dollars and/or Euro (first 35% at 1.4 times, second 5% at 1.7 times, third 5% at 2.1 times, fourth 5% at 2.4 times, fifth 5% at 2.6 times and sixth 5% at 2.7 times the reserve requirement) and up to 30% of the Turkish Lira reserve requirements in standard gold (first 15% at 1.4 times, second 5% at 1.5 times, third 5% at 2.0 times and fourth 5% at 2.5 times the reserve requirement), and (b) up to the total amount of the foreign currency reserve requirements applicable to precious metal deposit accounts in standard gold. In addition, pursuant to an amendment to the Communiqué Regarding Reserve Requirements that entered into force on September 28, 2012, banks are required to maintain their required reserves against their US Dollar-denominated liabilities in US Dollars only.

Furthermore, pursuant to an amendment to the Communiqué Regarding Reserve Requirements entered into force on December 31, 2012, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

(a) its total liabilities,

(b) its total non-cash loans and obligations,

(c) its revocable commitments *multiplied by* 0.1,

(d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate, and

(e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4th quarter of 2013 through the 3rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
Following the 4th quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Banks have been required to notify the Central Bank of their leverage ratios starting from December 31, 2012, and the above-described additional reserve requirements will first be implemented in 2014 starting with 2013 year-end financials.

Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008).

According to the Regulation on Measurement and Assessment of the Liquidity Adequacy of Banks issued by the BRSA and announced in the Official Gazette dated November 1, 2006 and numbered 26333, the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. A bank must maintain a weekly arithmetic average of 100% liquidity adequacy for the first maturity period (0-7 days before the maturity date of liabilities on a weekly average as defined by the regulation) and second maturity period (0-31 days before the maturity date of liabilities on a monthly average) for its aggregate liabilities and 80% liquidity adequacy for its foreign currency liabilities.

The regulations further state that until December 31, 2013, foreign exchange-indexed assets and liabilities shall, for the purposes of calculations of foreign currency liquidity ratios, be deemed to be foreign currency assets and liabilities; *however*, such foreign exchange-indexed assets and liabilities shall continue to be deemed TL currency for the calculation of total liquidity adequacy ratios.

Foreign Exchange Requirements

According to a regulation on foreign exchange net position/capital base issued by the BRSA and published in the Official Gazette dated November 1, 2006 and numbered 26333, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20%, which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, banks' boards of directors are required to establish audit committees for the execution of the audit and monitoring functions of the board of directors. Audit committees shall consist of a minimum of two members and be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation Regarding the Authorization and Activities of Incorporations that will Perform Independent Audit at Banks, published in the Official Gazette on November 1, 2006 and numbered 26333. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. With the Regulation on Internal System of Banks published in the Official Gazette No. 28337, dated June 28, 2012, new standards as to principles of internal audit and risk management systems were established in order to bring such standards into compliance with Basel II requirements.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

The SDIF

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is subject to its regulations. The SDIF is responsible for and authorized to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits*

Pursuant to Article 63 of the Banking Law, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, Banking Regulation and Supervision Board and the Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the Banking Regulation and Supervision Board.

(b) *Borrowings of the SDIF*

The SDIF: (i) may incur indebtedness with authorization from the Undersecretariat of the Treasury or (ii) the Undersecretariat of the Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

(c) *Power to require Advances from Banks*

Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

(d) *Contribution of the Central Bank*

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

(e) *Savings Deposits that are not subject to Insurance*

Deposits, participation funds and other accounts held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the board of the BRSA are not covered by the SDIF's insurance.

(f) *Premiums as an Expense Item*

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

(g) *Liquidation*

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Code No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(h) *Claims*

In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since July 5, 2004, up to TL 50,000 of the amounts of a depositor's deposit accounts benefit from the SDIF insurance guarantee. Such amount was increased to TL 100,000 as of February 15, 2013.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette dated March 25, 2006 and numbered 26119 are as follows:

(a) ensuring the enforcement of the SDIF board's decisions,

(b) establishing the human resources policies of the SDIF,

(c) becoming members of international financial, economic and professional organizations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorized bodies of foreign countries regarding the matters that fall within the SDIF's span of duty,

(d) insuring the savings deposit and participation funds in the credit institutions,

(e) determining the scope and amount of the savings deposit and participation funds that are subject to insurance with the opinion of the Central Bank, BRSA and Treasury Undersecretaries, and the risk-based insurance premia timetable, collection time and form and other related issues in cooperation with the BRSA,

(f) paying (directly or through another bank) the insured deposits and participation funds from its sources in the credit institutions whose operating permission has been revoked,

(g) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital,

(h) taking management and control of the banks whose operating permission has been revoked and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks,

(i) requesting from public institutions and agencies, real persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law,

(j) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision, and

(k) fulfilling the other duties that the SDIF law and other related legislation assign to it.

Cancellation of Banking License

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due,
- the bank is not complying with liquidity requirements,
- the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit,
- the regulatory equity capital of such bank is not sufficient or is likely to become insufficient,
- the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure,
- the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,
- such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems, or
- imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then the BRSA may require the board of directors of such bank:

- to increase its equity capital,
- not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,
- to increase its loan provisions,
- to stop extension of loans to its shareholders,
- to dispose of its assets in order to strengthen its liquidity,
- to limit or stop its new investments,
- to limit its salary and other payments,
- to cease its long-term investments,
- to comply with the relevant banking legislation,
- to cease its risky transactions by re-evaluating its credit policy,
- to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA, and/or
- to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA determines that taking such actions will not lead to getting a favorable result, then the BRSA may require such bank to:

- strengthen its financial structure, increase its liquidity and/or increase its capital adequacy,
- dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA,
- decrease its operational and management costs,
- postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees,
- limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors,
- convene an extraordinary general assembly in order to change some or all of the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks significantly as stipulated above,
- implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing, and/or

- to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to getting a favorable result, then the BRSA may require such bank to:

- limit or cease its business or the business of the whole organization, including its relations with its local or foreign branches and correspondents, for a temporary period,

- apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilization,

- remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them,

- make available long-term loans; *provided* that these will not exceed the amount of deposit or participation funds subject to insurance, and be secured by the shares of other assets of the controlling shareholders,

- limit or cease its non-performing operations and to dispose of its non-performing assets,

- merge with one or several banks,

- provide new shareholders in order to increase its equity capital,

- deduct any resulting losses from its own funds, and/or

- take any other action that the BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, (d) the continuation of the activities of such bank would jeopardize the rights of the depositors and the participation fund owners and the security and stability of the financial system, (e) such bank cannot cover its liabilities as they become due, (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilized such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardized the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the license of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; *provided* that any loss is deducted from the share capital of current shareholders.

In the event that the license of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's license is published in the Official Gazette. From the date of revocation of such bank's license, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking license is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports include the following information: management and organization structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorized to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors must approve the annual reports prepared by the banks.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Banks must submit a copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must also keep a copy of such reports in their headquarters and a soft copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. Besides they must publish them on their websites by the end of May following the end of the relevant fiscal year.

Disclosure of Financial Statements

With the Communiqué on Financial Statements to be disclosed to the public published in the Official Gazette No. 28337 dated June 28, 2012, new principles of disclosure of annotated financial statements of the banks were promulgated. The amendments to the calculation of risk-weighted assets and their implication of capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market, currency and credit risk were determined. In addition, new principles were determined with respect to the disclosure of position risks relating from (*inter alia*) securitization transactions and investments in quoted stocks.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Corporate Governance Principles

On December 30, 2011, the Corporate Governance Communiqué was published by the CMB and entered into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the İSE, including the Bank. The provisions of the Corporate Governance Communiqué have become applicable to the Bank starting from December 30, 2012. The CMB further amended the Corporate Governance Communiqué on February 22, 2013 (published in the Official Gazette dated February 22, 2013 No 28567) providing for specific exemptions and/or rules applicable to banks that are traded on the İSE. There are certain other additional miscellaneous corporate governance requirements under other Turkish law and regulations which it will remain subject to (*i.e.*, those that apply to non-listed companies and banks).

As of the date of this Offering Circular,the Bank is subject to the Corporate Governance Principles stated in the banking regulations and the regulations for capital markets that are applicable to the banks. Where the Bank does not comply with any of the non-mandatory principles applicable to it under the Corporate Governance Communiqué, it will explain any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of the Bank's annual report.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalization and the market value of their free-float shares, subject to recalculation on an annual basis. The Bank is classified as a "Tier 1" company.

The mandatory principles under the Corporate Governance Communiqué include: (a) the composition of the board of directors, (b) appointment of independent board members, (c) board committees, (d) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué and (e) information rights in connection with general assembly meetings.

Listed companies are required to have independent board members, which should constitute one third of the board of directors and should not be fewer than two; *however*, as per the amendment to the Corporate Governance Communiqué dated February 22, 2013, publicly traded banks are also required to appoint three independent board members to their board of directors, which directors may be selected from the members of the bank's audit committee; *provided* that at least one member should meet the mandatory qualification required for independent board members as set out in the applicable legislation. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "Tier 1" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee," if any, of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based upon this evaluation for final review by the CMB, which is authorized to issue a "negative view" on any nominee and prevent their appointment as independent members of the board of directors. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions, transactions concerning the establishment of security (excluding for financial institutions), pledge (excluding for financial institutions) and mortgage (excluding for financial institutions) for third parties and transactions which are deemed "material." "Material transactions" are described as the lease, transfer or establishment of rights *in rem* over the total or a substantial part of the listed company's assets, acquire or lease of a material asset, establishing privileges or changes in the scope of current privileges and delisting of the company. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is two thirds majority of the attendees who may vote; *however*, in the event of attendance of shareholders representing not less than one-half of the voting rights, a simple majority of the attendees would be sufficient (unless a larger majority is required pursuant to such company's articles of association).

The new Capital Markets Law authorizes the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to ensure compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict with these principles.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime. See "Risk Factors – Risks Related to Turkey – Combating the Financing of Terrorism."

Minimum standards and duties under such law and related legislation include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

The Capital Markets Law

The recently enacted new Capital Market Law contains important amendments to the prior capital market rules relating to the: (a) issue of new shares below their nominal value, (b) corporate governance principles, (c) public disclosure rules, (d) listing requirements, (e) profit distribution, (f) exit rights and squeeze outs, (g) reporting requirements, (h) regulatory sanctions and administrative fines, (i) collective investment schemes and (j) certain capital market instruments (including derivatives) and capital market activities in line with the legislation standards of the European Union. Although the new law introduced major changes to the regulatory regime, the interpretation of these new rules and requirements will become more clear upon the enactment of the new secondary legislation. The new law requires the CMB to replace all existing secondary legislation by December 30, 2013 and, until then, the provisions of the existing secondary legislation that do not contradict with the new Capital Markets Law will continue to apply.

Basel III

The Basel Committee has recently adopted further revisions to Basel II (*i.e.*, Basel III), but there is no certainty as to whether these most recent Basel III revisions will be implemented by the BRSA in Turkey and, if so, when and in what form. Recently, a draft regulation replacing the current BRSA Equities Regulation and a draft regulation amending the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks were made available by the BRSA.

The draft regulation replacing the current BRSA Equities Regulation, as published on the official website of the BRSA on February 1, 2013, introduces the following changes: (a) introducing core capital as a component of equity, (b) determining the capital items to be included in core Tier I, additional Tier I and Tier II capital, (c) determining regulatory adjustments concerning items included within the components of capital, (d) changing the principles for inclusion of minority rights and shares owned by third persons within the consolidated capital and (e) ensuring the borrowing instruments included in additional Tier I capital and Tier II capital are in a form that permits their removal from the Bank's share records (or from being convertible into equity) should a bank's capital adequacy ratio decrease below a determined threshold. In light of the foregoing changes, the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks required amendment and the draft regulation amending the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks proposes to: (i) introduce 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 and (ii) apply risk weighting treatment for some items that are deducted from capital in current regime in determining capital adequacy.

In addition to these implementations, a draft Regulation on the Capital Conservation and Countercyclical Buffer that regulates the procedures and principles regarding the calculation of available additional core capital and required additional core capital amounts that will be used for determining the level of dividend distribution for banks has been prepared and delivered to the banks for their review. The BRSA has requested comments on the draft regulation by March 2013, following which, there will be further discussions regarding the final implementations of rules and schedules. The BRSA's draft regulations are expected to be implemented within 2013.

CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the "*Conditions*") which (except for the paragraphs in italics) will be endorsed on the definitive Certificates issued in respect of the Notes:*

The US$750,000,000 3.750% Notes due 2018 of Türkiye İş Bankası A.Ş (the "*Issuer*") were issued in two issuances as follows: (a) US$500,000,000 3.750% Notes due 2018 (the "*Original Notes*") issued on 10 April 2013 (the "*Original Issue Date*") and (b) US$250,000,000 3.750% Notes due 2018 (the "*New Notes*") issued on 26 April 2013 (the "*New Issue Date*"), which two issuances are consolidated and form a single series. These notes are issued subject to and with the benefit of a Fiscal Agency Agreement dated the Original Issue Date as amended and supplemented by a First Supplemental Fiscal Agency Agreement dated the New Issue Date (such agreement as further amended and/or supplemented and/or restated from time to time, the "*Agency Agreement*"), made among the Issuer, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "*Registrar*"), The Bank of New York Mellon, London Branch as fiscal agent and principal paying agent (the "*Fiscal Agent*") and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the "*Paying Agents*") and the other agents named in it (together with the Fiscal Agent, the Registrar and the other Paying Agents, the "*Agents*"). In these Conditions, the expression "*Notes*" shall, unless the context otherwise requires, include the New Notes, the Original Notes and any further notes issued pursuant to Condition 15 and forming a single series with the Original Notes and the New Notes. The holders of the Notes are entitled to the benefit of a Deed of Covenant dated the Original Issue Date as amended and supplemented by a First Supplemental Deed of Covenant dated the New Issue Date (the "*Deed of Covenant*") and made by the Issuer. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to any Agent shall include any successor appointed under the Agency Agreement.

Investors in the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of US$200,000 and in integral multiples of US$1,000 thereafter (referred to as the "*principal amount*" of a Note and each an "*Authorized Denomination*"). A note certificate (each a "*Certificate*") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) of Turkey and the Communiqué Serial: II, No: 22 on the Principles on the Registration and Sale of Debt Instruments of the Turkish Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the "*CMB*").

1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "*Noteholder*" and (in relation to a Note) "*holder*" means the person in whose name a Note is registered in the register of Noteholders.

For a description of the procedures for transferring title to book-entry interests in the Notes, see "Book-Entry Clearance Systems."

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may be transferred in an Authorised Denomination only by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the other Agents.

For a description of certain restrictions on transfers of interests in the Notes, see "Transfer Restrictions."

2.2 Delivery of new Certificates

Each new Certificate to be issued upon a transfer of the Notes will, within five business days of receipt by the Registrar or the relevant other Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2, "*business day*" shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described in "The Global Certificates – Registration of Title," owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and compliance with the legends placed on the Notes as described in "Transfer Restrictions."

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant other Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note.

2.5 Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS

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

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any Note remains outstanding, the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "*Security Interest*") 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 (as defined below), unless the Issuer, 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 rateably 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.

Nothing in this Condition 4.1 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to: (i) a bond, note or other indebtedness whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such indebtedness, a "*Covered Bond*") or (ii) any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged principally from such assets or revenues (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer); *provided* that the aggregate then-existing balance sheet value of assets or revenues subject to any Security Interest created in respect of: (A) Covered Bonds that are Relevant Indebtedness and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of any outstanding Direct Recourse Securities that are Relevant Indebtedness, does not, at any time, exceed 15% of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

4.2 Interpretation

For the purposes of these Conditions:

"*Direct Recourse Securities*" means securities (other than Covered Bonds) issued in connection with any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by a Security Interest or having the benefit of a Security Interest are to be discharged principally from such assets or revenues, or by direct unsecured recourse to the Issuer;

"*IFRS*" means the requirements of International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (the "*IASB*") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time); and

"*Relevant Indebtedness*" means: (a) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other organised securities market and having a maturity in excess of 365 days or any loan disbursed to the Issuer as a borrower under a loan participation note or similar transaction and (b) any guarantee or indemnity of any such indebtedness.

5. COVENANTS

5.1 Maintenance of Authorisations

So long as any of the Notes remains outstanding, the Issuer shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Republic of Turkey (including, without limitation, with the CMB and the Banking Regulatory and Supervisory Agency (in Turkish: *Bankacılık Düzenleme ve Denetleme Kurumu*) (the "*BRSA*")) for (a) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant and the Notes or for the validity or enforceability thereof, or (b) save to the extent any failure to do so does not and would not have a material adverse effect on (i) the business, financial condition or results of operations of the Issuer or (ii) the Issuer's ability to perform its obligations under the Notes, the conduct by it of the Permitted Business.

5.2 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer shall not, and shall not permit any of its Material Subsidiaries to, in any 12 month period: (a) make any payment to, (b) sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, (c) purchase any properties, revenues or assets from or (d) enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or guarantee (whether related or not) with or for the benefit of, any Affiliate (each, an "*Affiliate Transaction*") which Affiliate Transaction has (or, when taken together with any other Affiliate Transactions during such 12 month period, in the aggregate have) a value in excess of US$50,000,000 (or its equivalent in any other currency) unless such Affiliate Transaction (and each such other aggregated Affiliate Transaction) is on terms that are no less favourable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person.

5.3 Financial Reporting

So long as any of the Notes remains outstanding, the Issuer shall deliver to the Fiscal Agent:

(a) not later than six months after the end of each financial year of the Issuer, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied and BRSA accounting standards ("*BRSAAS*"), together with the financial statements for the preceding financial year, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon; and

(b) not later than 120 days after the end of the first six months of each financial year of the Issuer, English language copies of its unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied and BRSAAS, together with the financial statements for the corresponding period of the previous financial year, and all such interim financial statements of the Issuer shall be accompanied by a review report of the auditors thereon.

5.4 Interpretation

For the purposes of these Conditions:

"*Affiliate*" means, in respect of any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and, in the case of a natural Person, any immediate family member of such Person. For purposes of this definition, *control*, as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise and the terms *controlling*, *controlled by* and *under common control with* shall have corresponding meanings.

"*Material Subsidiary*" means at any time a Subsidiary of the Issuer:

(a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited IFRS financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; *provided* that, in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer that immediately prior to such transfer is a Material Subsidiary; provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this sub-paragraph (b) but shall cease to be a Material Subsidiary on the date of publication of its next audited IFRS financial statements unless it would then be a Material Subsidiary under sub-paragraph (a) above; or

(c) to which is transferred an undertaking or assets that, taken together with the undertaking or assets of the transferee Subsidiary, represent (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (calculated as set out in sub-paragraph (a) above); provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer, its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (all as calculated as set out in sub-paragraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this sub-paragraph (c) on the date of the publication of its next audited IFRS financial statements, save that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of sub-paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

A report by the auditors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"*Permitted Business*" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Issuer on the Original Issue Date.

"*Person*" means: (a) any individual, company, unincorporated association, government, state agency, international organisation or other entity and (b) its successors and assigns.

"*Subsidiary*" means, in relation to any Person, any company: (a) in which such Person holds a majority of the voting rights, (b) of which such Person is a member and has the right to appoint or remove a majority of the board of directors or (c) of which such Person is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of such Person. In relation to the financial statements of the Issuer, "*Subsidiary*" shall also include any other entities that are consolidated with the Issuer.

6. INTEREST

6.1 Interest Rate and Interest Payment Dates

The Notes (including the New Notes, which for this purpose shall be deemed to have been issued on the Original Issue Date) bear interest from and including the Original Issue Date at the rate of 3.750 per cent. *per annum*, payable semi-annually in arrear on each of 10 April and 10 October (each an "*Interest Payment Date*") in each year. The first payment of interest (representing a full six months' of interest) shall be made on 10 October 2013.

6.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices to the Noteholders*).

6.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six months, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

7. PAYMENTS

7.1 Payments in respect of Notes

Payment of principal and interest on a Note will be made by transfer to the registered account of the relevant Noteholder or by US Dollar cheque drawn on a bank that processes payments in US Dollars mailed to the registered address of such Noteholder if it does not have a registered account. Notwithstanding anything else herein to the contrary, payments of interest due otherwise than on an Interest Payment Date and payments of principal will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the "*record date*") being the 15th day before the due date for the payment of interest, and if such 15th day is not a Business Day (as defined below), the Business Day immediately prior.

For the purposes of this Condition 7.1, a Noteholder's registered account means the US Dollar account maintained by or on behalf of it with a bank that processes payments in US Dollars, details of which appear on the register of Noteholders at the close of business: (a) in the case of a payment of interest due otherwise than on an Interest Payment Date and payments of principal, on the second Business Day before the due date for payment, and (b) in the case of a payment of interest due on an Interest Payment Date, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

7.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to: (a) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*), and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "*Code*") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("*FATCA*") or any law implementing an intergovernmental approach to FATCA.

7.3 No Commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 7.

7.4 Payment on Business Days

Where payment is to be made: (a) by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and (b) by cheque, the cheque will be mailed on the Business Day preceding the due date for payment; *provided* that, with respect to both sub-paragraphs (a) and (b), in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

A Noteholder will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In these Conditions, "*Business Day*" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign currencies) in New York City, London and Istanbul and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

7.5 Partial Payments

If the amount of principal or interest which is due on the Notes is not paid in full, then the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

7.6 Agents

The names of the initial Agents and their initial specified offices are set out immediately following these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Fiscal Agent and a Registrar;

(b) so long as the Notes are listed on the Irish Stock Exchange, there will at all times be a Paying Agent (which may be the Fiscal Agent) having a specified office in such place as may be required by the rules and regulations of the Irish Stock Exchange or any other relevant authority;

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent that is not located in a Member State of the European Union that will oblige that Paying Agent to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

Notice of any termination or appointment and of any changes to the specified office of an Agent will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices to the Noteholders*).

8. REDEMPTION AND PURCHASE

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 10 October 2018.

8.2 Redemption for Taxation Reasons

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 (*Taxation*)), 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 8 April 2013, on the next Interest Payment Date, the Issuer would be required to:

(i) pay additional amounts as provided or referred to in Condition 9 (*Taxation*); 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 8 April 2013; and

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

then the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices to the Noteholders*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes at any time at their principal amount together with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

8.3 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes in any manner and at any price. Such Notes may be held, resold or, at the option of the Issuer or any such Subsidiary (as the case may be) for those Notes held by it, surrendered to any Paying Agent or the Registrar for cancellation.

8.4 Cancellations

All Notes that are redeemed by or on behalf of the Issuer will forthwith be cancelled and, accordingly, may not be held, re-issued or resold.

8.5 Notices Final

Upon the expiry of any notice as is referred to in Condition 8.2 (*Redemption for Taxation Reasons*) above, the Issuer shall be bound to redeem the Notes in accordance with the terms of such Condition.

9. TAXATION

9.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall 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 Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or

(b) presented for payment in the Republic of Turkey; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 7 (*Payments*)).

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code) or any law implementing an intergovernmental approach to FATCA.

9.2 Interpretation

In these Conditions:

(a) "*Relevant Date*" means, with respect to any payment, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13 (*Notices to the Noteholders*); and

(b) "*Relevant Jurisdiction*" means the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

9.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 (*Taxation*).

10. PRESCRIPTION

Claims in respect of principal and interest will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date, as defined in Condition 9 (*Taxation*).

11. EVENTS OF DEFAULT

11.1 Events of Default

The holder of any Note may give notice to the Issuer that such Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (each, an "*Event of Default*") shall have occurred and be continuing:

(a) if default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any originally applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; *provided* that the aggregate principal amount of such: (A) Indebtedness for Borrowed Money of the Issuer or such Material Subsidiary in the case of sub-paragraphs (i), (ii) and/or (iii) above, and/or (B) Indebtedness for Borrowed Money in relation to which such guarantee and/or indemnity of the Issuer or such Material Subsidiary has been given in the case of sub-paragraph (iv) above, exceeds US$50,000,000 (or its equivalent in other currencies); or

(d) if:

(i) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries; or

(ii) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Noteholders, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(iii) the Issuer or any of its Material Subsidiaries becomes or is declared insolvent, or the Issuer or any of its Material Subsidiaries suspends payment of its debts or is unable or admits in writing its inability to pay its debts as they fall due or commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or part of its indebtedness; or

(iv) the Issuer or any of its Material Subsidiaries: (A) takes any corporate action or other steps are taken or legal proceedings are started: (x) for its winding-up, dissolution, administration, bankruptcy or re-organisation (other than for the purposes of and followed by a reconstruction while solvent upon terms previously approved by an Extraordinary Resolution of Noteholders) or (y) for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or any or all of its revenues and assets or (B) shall or propose to make a general assignment for the benefit of its creditors or shall enter into any general arrangement or composition with its creditors;

in each case in sub-paragraphs (i) to (iv) above, save for the solvent voluntary winding up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or transfer of all or any part of its business and/or assets to, the Issuer or another Subsidiary of the Issuer; or

(e) if the banking licence of the Issuer is temporarily or permanently revoked or the Issuer is transferred to the Savings Deposit Insurance Fund under the provisions of the Banking Law (Law No. 5411) of Turkey.

11.2 Interpretation

For the purposes of this Condition 11 (*Events of Default*):

"*Indebtedness for Borrowed Money*" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of:

(a) any notes, bonds, debentures, debenture stock, loan stock or other securities;

(b) any borrowed money; or

(c) any liability under or in respect of any acceptance or acceptance credit.

12. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to (a) evidence of such loss, theft, mutilation, defacement or destruction and (b) indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. NOTICES TO THE NOTEHOLDERS

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

14.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes the modification of certain of these Conditions the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

14.2 Modification

The Fiscal Agent and the Issuer may agree in writing, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (b) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13 (*Notices to the Noteholders*).

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes; *provided* that such further notes will be fungible for US federal income tax purposes (*i.e*., their issuance is a "qualified reopening" under U.S. Treasury Regulation § 1.1275-2(k)).

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing Law

The Agency Agreement, the Deed of Covenant and the Notes are, and any non-contractual obligations arising therefrom will be, governed by and construed in accordance with English law.

16.2 Jurisdiction of courts of England

The Issuer has irrevocably agreed for the benefit of the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes (and any non-contractual obligations arising out of or in connection with the Notes) and accordingly has submitted to the exclusive jurisdiction of the courts of England. The Issuer has waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Noteholders may take any suit, action or proceeding arising out of or in connection with the Notes (together referred to as "*Proceedings*") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions to the extent allowed by law.

16.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the courts of England according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Notes, any judgment obtained in the courts of England in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

16.4 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally agrees that service of process in England in respect of any Proceedings may be delivered to the Issuer at its London Branch at 8 Prince's Street, London, EC2R 8HL and undertakes that in the event of its ceasing to maintain an office in London it will appoint another person as its agent for that purpose.

16.5 Other Documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the courts of England and appointed an agent in England for service of process, in terms substantially similar to those set out above.

17. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, the Agency Agreement or the Deed of Covenant, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATES

The Global Certificates will contain the following provisions that apply to the Notes in respect of which they are issued while they are represented by those Global Certificates, some of which modify the effect of the Conditions of such Notes. Terms defined in the Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.

1. ACCOUNTHOLDERS

For so long as any of the Notes are represented by a Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of DTC, Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "*Accountholder*") (in which regard any certificate or other document issued by DTC, Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "Noteholders" and references to "holding of Notes" or purchase or other acquisition of Notes and to "holder of Notes" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the "*Relevant Nominee*") in accordance with and subject to the terms of the relevant Global Certificate. Each Accountholder must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. CANCELLATION

Cancellation of any Note following its redemption or purchase by the Issuer or any of its Subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

3. PAYMENTS

Payments of principal in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holder of the relevant Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to Euroclear or Clearstream, Luxembourg, which in turn are expected to distribute such amounts to their participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes holding through DTC will receive, to the extent received by the Fiscal Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

Payments of principal and interest in respect of the Global Certificates will be made, or procured to be made, by or on behalf of the Issuer for settlement on the relevant payment date in accordance with Clause 8 of the Agency Agreement.

4. NOTICES

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 13. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

While any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

5. REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless DTC, Euroclear or Clearstream, Luxembourg, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate or, in the case of DTC only, DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934, and in each case a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from DTC, Euroclear or Clearstream, Luxembourg or becoming aware that DTC is no longer so registered. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

If only one of the Global Certificates (the "*Exchanged Global Certificate*") becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

6. TRANSFERS

Transfers of book-entry interests in the Notes will be effected through the records of DTC, Euroclear and Clearstream, Luxembourg and their respective participants and accountholders in accordance with the rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants, as more fully described under "Book-Entry Clearance Systems."

7. EXCHANGE FOR CERTIFICATES

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for Certificates only upon the occurrence of an Exchange Event. For these purposes, "*Exchange Event*" means that: (a) an Event of Default has occurred and is continuing, (b) the Issuer has been notified that DTC (for the Rule 144A Certificates) or Euroclear and Clearstream, Luxembourg (for the Regulation S Certificate) have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (c) the Issuer has or will become obliged to pay additional amounts that it would not be obliged to pay were the Notes represented by such Global Certificate in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (as applicable) or any person acting on their behalf (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of each of DTC, Clearstream, Luxembourg and Euroclear currently in effect. The information in this section concerning DTC, Clearstream, Luxembourg and Euroclear has been obtained from sources that the Bank believes to be reliable, but neither the Bank nor any Initial Purchaser takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of DTC, Clearstream, Luxembourg or Euroclear are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities.

None of the Bank nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of DTC, Clearstream, Luxembourg or Euroclear or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

DTC

DTC has advised the Bank that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that direct DTC participants deposit with DTC. DTC also facilitates the settlement among direct DTC participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct DTC participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct DTC participants and by NYSE Euronext and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to indirect DTC participants.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "*DTC Rules*"), DTC makes book-entry transfers of notes ("*DTC Notes*") among direct DTC participants on whose behalf it acts with respect to notes accepted into DTC's book-entry settlement system as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the SEC. Direct DTC participants and indirect DTC participants with which actual investors in DTC Notes ("*DTC Beneficial Owners*") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective DTC Beneficial Owners. Accordingly, although DTC Beneficial Owners who hold interests in DTC Notes through direct DTC participants or indirect DTC participants will not possess Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which direct DTC participants will receive payments and will be able to transfer their interest with respect to the DTC Notes. Purchases of DTC Notes under the DTC system must be made by or through direct DTC participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each DTC Beneficial Owner is in turn to be recorded on the relevant direct DTC acountholder's or indirect DTC acountholder's records. DTC Beneficial Owners will not receive written confirmation from DTC of their purchases, but DTC Beneficial Owners are expected to receive written confirmations providing details of each transaction, as well as periodic statements of their holdings, from the direct DTC participant or indirect DTC participant through which the DTC Beneficial Owner holds its interest in the DTC Notes. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of direct DTC participants acting on behalf of DTC Beneficial Owners. DTC Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued or upon the occurrence of an Exchange Event at the holder's request. To facilitate subsequent transfers, all DTC Notes deposited by direct DTC participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual DTC Beneficial Owners; DTC's records reflect only the identity of the direct DTC participants to whose accounts such DTC Notes are credited, which may or may not be the DTC Beneficial Owners. The direct DTC participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to direct DTC participants, by direct DTC participants to indirect DTC participants, and by direct DTC participants and indirect DTC participants to DTC Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices will be sent to Cede & Co.

If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct DTC participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct DTC participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to DTC (or its nominee). DTC's practice is to credit direct DTC participants' accounts on the due date for payment. Payments by direct DTC participants to DTC Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers registered in "street name," and will be the responsibility of such direct DTC participant and not of DTC or the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC (or its nominee) is the responsibility of the Bank, disbursement of such payments to direct DTC participants is the responsibility of DTC and disbursement of such payments to the DTC Beneficial Owners is the responsibility of direct DTC participants and indirect DTC participants.

Under certain circumstances, DTC will exchange the DTC Notes for definitive Notes, which it will distribute to its direct DTC participants in accordance with their requests and proportionate entitlements and that will be legended as described under "Transfer Restrictions." Since DTC may only act on behalf of direct DTC participants, who in turn act on behalf of indirect DTC participants, any DTC Beneficial Owner desiring to pledge its interests in DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to effect such pledge through DTC and its participants.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depositary. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of a number of currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depositary and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

The ability of an owner of a beneficial interest in a Note held by Clearstream, Luxembourg to pledge such interest to persons or entities that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of the Notes through the Clearstream, Luxembourg system will receive distributions of principal, interest, additional amounts (if any) and any other payments on the Notes only through Clearstream, Luxembourg accountholders.

Distributions with respect to interests in the Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg accountholders in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with accountholders in Euroclear.

The ability of an owner of a beneficial interest in a Note held by Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of the Notes through the Euroclear system will receive distributions of principal, interest, additional amounts (if any) and any other payments on the Notes only through Euroclear accountholders.

Distributions with respect to the Notes held beneficially through Euroclear will be credited to cash accounts of Euroclear accountholders in accordance with its rules and procedures, to the extent received by Euroclear.

Book-Entry Ownership of and Payments in Respect of Notes Represented by the Global Certificates

The Bank has applied to each of Euroclear and Clearstream, Luxembourg to have Regulation S Notes represented by the Regulation S Certificate accepted in its book-entry settlement system. Upon the issue of the Regulation S Certificate, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by the Regulation S Certificate to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the relevant Initial Purchaser. Ownership of beneficial interests in the Regulation S Certificate will be limited to direct or indirect participants of Euroclear and/or Clearstream, Luxembourg, as applicable. Ownership of beneficial interests in the Regulation S Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of direct Euroclear and/or Clearstream, Luxembourg accountholders) and the records of direct Euroclear and/or Clearstream, Luxembourg accountholders (with respect to interests of indirect Euroclear and/or Clearstream, Luxembourg accountholders).

The Bank has applied to DTC to have Rule 144A Notes represented by the Rule 144A Certificate(s) accepted in its book-entry settlement system. Upon the issue of any such Rule 144A Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Rule 144A Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Initial Purchaser. Ownership of beneficial interests in a Rule 144A Certificate will be limited to direct DTC participants or indirect DTC participants. Ownership of beneficial interests in a Rule 144A Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of direct DTC participants) and the records of direct DTC participants (with respect to interests of indirect DTC participants).

Payments in US Dollars of principal and interest in respect of a Global Certificate will be made to DTC, Clearstream, Luxembourg, Euroclear or their respective nominee, as the case may be, as the registered holder of such Note. The Bank expects DTC, Clearstream, Luxembourg and Euroclear to credit accounts of their respective accountholders on the applicable payment date. The Bank also expects that payments by direct DTC, Clearstream, Luxembourg or Euroclear accountholders to indirect participants in such clearing systems will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers of such clearing system, and will be the responsibility of such accountholder and not the responsibility of such clearing system, the Paying Agent, the Registrar or the Bank. Payments of principal and interest on the Notes to DTC, Clearstream, Luxembourg and Euroclear (or their respective nominee) are the responsibility of the Bank. Transfers of any interests in Notes represented by a Global Certificate within DTC, Clearstream, Luxembourg or Euroclear, as applicable, will be effected in accordance with applicable law and in accordance with the relevant clearing system's rules and procedures. Because each of DTC, Clearstream, Luxembourg and Euroclear can only act on behalf of accountholders in its system who in turn act on behalf of indirect participants, the ability of a person having an interest in Notes represented by a Global Certificate to pledge such interest to persons or entities that do not participate in such clearing system or to otherwise take action in respect of such interest may be limited. The ability of any holder of an interest in Notes represented by a Global Certificate to resell, pledge or otherwise transfer such interest may be impaired if the proposed transferee of such interest is not eligible to hold such interest through a direct or indirect participant in the applicable clearing system. Subject to compliance with the transfer restrictions applicable to the Notes described under "Transfer Restrictions," cross-market transfers between DTC participants, on the one hand, and Clearstream, Luxemburg and Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Paying Agent and the custodian with whom the Global Certificates have been deposited. On or after the New Issue Date, transfers of New Notes will generally have a settlement date three Business Days after the trade date (T+3).

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in global certificates among accountholders of DTC, Clearstream, Luxembourg or Euroclear; *however*, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bank, the Agents nor any Initial Purchaser will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

This is a general summary of certain US federal and Turkish tax considerations in connection with an investment in the New Notes. This summary does not address all aspects of US federal and Turkish tax 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 Offering Circular, 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 New 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.**

References to "*resident*" herein refer to tax residents of Turkey and references to "non-resident" herein refer to persons who are not tax residents of Turkey.

Certain US Federal Income Tax Consequences

<u>Notice pursuant to IRS Circular 230</u>**: The discussion of US tax matters set forth in this Offering Circular 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 New Note by a US Holder (as defined below) whose functional currency is the US Dollar that acquires the New Note in this Offering from the Initial Purchasers at a price equal to the issue price of the New 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 New 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 New 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 New 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 New 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 New 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 New 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 New 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 Offering Circular 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.

As the New Notes will be issued at a premium, the issuance of New Notes pursuant to this Offering will constitute a "qualified reopening" of the issuance of the Original Notes within the meaning of the applicable US Treasury regulations. Consequently, for US federal tax purposes, the issue price of a New Note will equal the issue price of the Original Notes (*i.e.*, 99.323% of the principal amount thereof), and the issue date of the New Notes will be considered to be the Original Issue Date.

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 New Notes, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

Pre-issuance Accrued Interest

A portion of the price paid for a New Note will be allocable to interest that "accrued" prior to the New Issue Date, or "*pre-issuance accrued interest*." To the extent a portion of a US Holder's purchase price is allocable to pre-issuance accrued interest, a portion of the first stated interest payment equal to the amount of pre-issuance accrued interest will be treated as a nontaxable return of such purchase price to the US Holder. Amounts treated as a return of purchase price will reduce a US Holder's adjusted tax basis in the New Note by a corresponding amount.

Payments of Interest

Payments of interest on the New 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 New 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 New 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.

Acquisition Premium

The New Notes will be issued at a price in excess of the amount payable upon maturity. In general, if a US Holder purchases a New Note at such a premium, then that US Holder will be considered to have purchased such Note with "acquisition premium" equal to the excess of the price paid for a New Note over the amount payable upon maturity. The US Holder may elect to amortize the acquisition premium as an offset to interest income and not as a separate deduction item as it accrues under a constant-yield method over the remaining term of the New Note. The US Holder's tax basis in the New Note will be reduced by the amount of the amortized acquisition premium. Any elections to amortize the acquisition premium as an offset to interest income will apply to all debt instruments (other than instruments the interest on which is excludible from gross income) held by the US Holder at the beginning of the first taxable year for which the election applies or thereafter acquired and is irrevocable without the consent of the IRS. Acquisition premium on a New Note held by a US Holder who does not elect to amortize the acquisition premium will decrease the gain or increase the loss otherwise recognized on the disposition of such New Note.

Sale, Exchange and Redemption of New Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a New 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 New Note. A US Holder's tax basis in a New Note generally will equal the amount paid for the New Note. Gain or loss recognized by a US Holder on the sale, exchange or other disposition of a New Note will be capital gain or loss and will be long-term capital gain or loss if the New 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 New 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 New 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 New Notes, and the proceeds from the sale, exchange or other disposition of New 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 New Notes.

Recently Enacted Legislation

Recently enacted legislation requires certain US Holders who are individuals, estates or non-exempt trusts 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 New Notes. US Holders should consult their tax advisers regarding the effect, if any, of this new legislation on their investment in the New 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 New 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 New 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 New 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 New Notes to holders of the New 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 New 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 New Notes, then neither the Bank nor any paying agent or other person would, pursuant to the conditions of the New Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. Holders of the New Notes should consult their tax advisers regarding the effect, if any, of FATCA on their investment in the New Notes.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in New Notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the New Notes that may be relevant to a decision to make an investment in the New Notes. Furthermore, the discussion only relates to the investment by a person where the New Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Offering Circular, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey that is constituted either by the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable to the Turkish taxes for the trading income made through a permanent establishment or for the income sourced in Turkey otherwise.

A natural person or individual is a resident of Turkey if such person has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreigners who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Income Tax Law may not be treated as a resident of Turkey depending upon the characteristics of the stay. A resident individual is liable for Turkish taxes on his worldwide income, whereas a non-resident individual is liable for Turkish tax for the income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain derived from trading income is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is needed. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on notes (such as the New Notes) issued abroad by Turkish corporations is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the maturity of notes issued abroad as follows:

- 10% withholding tax for notes with a maturity of less than one year,
- 7% withholding tax for notes with a maturity of at least one year and less than three years,
- 3% withholding tax for notes with a maturity of at least three years and less than five years, and
- 0% withholding tax for notes with a maturity of five years and more.

Such withholding tax is the final tax for a non-resident person and no further declaration is required.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the return. For resident individuals, the entire gain is required to be declared if the interest income derived exceeds TL 26,000 for 2013 together with the gains from other marketable securities and real income from immovable property that were subjected to withholding. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the New Notes may be subject to declaration; *however*, pursuant to Temporary Article 67 of the Turkish Income Tax Law, as amended by law number 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on the non-resident persons on capital gains from such New Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the New Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains realized by a resident corporation or individual on the sale or redemption of the New Notes (or beneficial interests therein) are subject to income tax or corporate tax declaration. The current rate for corporate tax is 20% and the current rate for individuals ranges from 15% to 35% depending upon the level of such individual's income. For resident individuals, the acquisition cost can be increased at the Producer Price Index' rate of increase for each month except for the month of discharge, so long as such index increased by at least 10%.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes by an issuer to a non-resident holder will be subject to a withholding tax at a rate between 10% and 0% (inclusive) in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of which the holder of the notes is an income tax resident (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used) that provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the relevant jurisdiction where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant jurisdiction on the basis of resident taxpayer status, as a resident of the relevant jurisdiction to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, refunding of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state; *however*, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described herein.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER US EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the New Notes may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements, and any entity deemed to hold "plan assets" of the foregoing (each, a "*Plan*"). Section 406 of the US Employee Retirement Income Security Act of 1974, as amended ("*ERISA*") and Section 4975 of the Code prohibit a Plan subject to those provisions (each, a "*Benefit Plan Investor*") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan Investor. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Employee benefit plans that are US governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code; *however*, such plans may be subject to similar restrictions under applicable state, local or other law ("*Similar Law*").

An investment in the New Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the Bank is a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to an investment in the New Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption ("*PTCE*") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the New Notes, and prospective investors that are Benefit Plan Investors and other Plans should consult with their legal advisors regarding the applicability of any such exemption and other applicable legal requirements.

By acquiring a New Note (or a beneficial interest therein), each purchaser (and if the purchaser is a Plan, its fiduciary) is deemed to represent and warrant that either: (a) it is not acquiring the New Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor, a US governmental plan or other employee benefit plan that is subject to Similar Law, or (b) the acquisition of the New Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

Prospective investors are advised to consult their advisers with respect to the consequences under ERISA and similar laws of the purchase, ownership or disposition of the New Notes (or a beneficial interests therein).

PLAN OF DISTRIBUTION

The Bank intends to offer the New Notes through the Initial Purchasers and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions stated in a subscription agreement in respect of the New Notes expected to be entered into on April 24, 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 New Notes set forth opposite each Initial Purchaser's name below at the issue price of 100.983% of the principal amount of the New Notes *plus* 16 days' deemed accrued interest (in respect of the period from (and including) the Original Issue Date to (but excluding) the New Issue Date).

Initial Purchasers	*Principal Amount of Notes*
Barclays Bank PLC	US$50,000,000
Citigroup Global Markets Limited	US$50,000,000
Deutsche Bank AG, London Branch	US$50,000,000
HSBC Bank plc	US$50,000,000
J.P. Morgan Securities plc	US$50,000,000
Total	**US$250,000,000**

The Subscription Agreement provides that the obligations of the Initial Purchasers to purchase the New Notes are subject to approval of legal matters by counsel and to other conditions. The offering of the New 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 New Notes at the offering price set forth on the cover page of this Offering Circular within the United States 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 "Transfer Restrictions." The prices at which beneficial interests in the New Notes are offered may be changed at any time without notice.

Offers and sales of the New Notes in the United States will be made by those Initial Purchasers or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder.

The New Notes have not been registered under the Securities Act or any 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 "Transfer Restrictions." Accordingly, until 40 days after the closing date of this Offering (the "*Distribution Compliance Period*"), an offer or sale of Notes (or beneficial interests therein) within the United States by a dealer that is not participating in this 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 New Notes (or beneficial interests therein) (other than a sale pursuant to Rule 144A) during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the New 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 New Issue Date, except in either case in accordance with Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S."

While the Original Notes have been admitted to 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 after this Offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this Offering. 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. An application has been made to the Irish Stock Exchange to admit the New Notes to listing on the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted.

In connection with the offering, one or more Initial Purchaser(s) may purchase and sell New 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 New Notes (or beneficial interests therein) in excess of the principal amount of New Notes to be purchased by the Initial Purchasers in this Offering, which creates a short position for the Initial Purchasers. Covering transactions involve the purchase of the New 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 New Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the New 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 New Notes (or beneficial interests therein). They may also cause the price of the New 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 New Notes will be made against payment therefor on the New Issue Date specified on the cover page of this Offering Circular, which will be the fourth Business Day following the date of this Offering Circular (this settlement cycle being referred to as "T+4"). 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 business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the New Notes through a broker or dealer in the United States on the date of this Offering Circular or the next New York business days will be required, by virtue of the fact that the New Notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the New Notes who wish to trade interests in the New Notes through a broker or dealer in the United States on the date of this Offering Circular or the next New York 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. In addition, certain of the Initial Purchasers and/or their respective affiliates hedge their credit exposure to the Bank pursuant to their customary risk management policies. These hedging activities could have an adverse affect on the future trading prices of the New 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 has agreed to indemnify each Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of those liabilities.

SELLING RESTRICTIONS

NOTICE TO RESIDENTS OF TURKEY

THE OFFERING OF THE NEW NOTES HAS BEEN AUTHORIZED AND APPROVED BY THE CMB ONLY FOR THE PURPOSE OF THE SALE OF THE NEW NOTES OUTSIDE OF TURKEY IN ACCORDANCE WITH ARTICLE 15(B) OF DECREE 32, THE BANKING REGULATIONS, THE CAPITAL MARKETS LAW AND THE COMMUNIQUÉ. THE NEW NOTES (OR BENEFICIAL INTERESTS THEREIN) HAVE TO BE OFFERED OR SOLD TO REAL PERSONS AND LEGAL ENTITIES DOMICILED OUTSIDE OF TURKEY IN ACCORDANCE WITH THE BRSA DECISION DATED MAY 6, 2010 NO. 3665 AND THE CMB HAS AUTHORIZED THE OFFERING OF THE NEW NOTES; *PROVIDED* THAT, FOLLOWING THE PRIMARY SALE OF THE NEW NOTES, NO TRANSACTION THAT MAY BE DEEMED AS A SALE OF THE NEW NOTES (OR BENEFICIAL INTERESTS THEREIN) IN TURKEY BY WAY OF PRIVATE PLACEMENT OR PUBLIC OFFERING MAY BE ENGAGED IN. PURSUANT TO ARTICLE 15(D)(II) OF DECREE 32, THERE IS NO RESTRICTION ON THE PURCHASE OR SALE OF THE NEW NOTES (OR BENEFICIAL INTERESTS THEREIN) IN SECONDARY MARKETS BY RESIDENTS OF TURKEY; *PROVIDED* THAT THEY PURCHASE OR SELL SUCH NEW NOTES (OR BENEFICIAL INTERESTS) IN THE FINANCIAL MARKETS OUTSIDE OF TURKEY, SUCH SALE AND PURCHASE IS MADE THROUGH BANKS AND/OR LICENSED BROKERAGE INSTITUTIONS AUTHORIZED PURSUANT TO CMB REGULATIONS AND THE PURCHASE PRICE IS TRANSFERRED THROUGH BANKS. THE ISSUANCE CERTIFICATE BEARING THE APPROVAL OF THE CMB RELATING TO THE NEW NOTES IS EXPECTED TO BE OBTAINED FROM THE CMB ON OR BEFORE APRIL 26, 2013.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

In the United Kingdom, this Offering Circular is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "*Order*"), (b) high net worth bodies corporate falling within Article 49(2) of the Order and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "*relevant persons*"). Each Initial Purchaser has represented and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "*FSMA*")) received by it in connection with the issue or sale of any New Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any New Notes in, from or otherwise involving the United Kingdom.

NOTICE TO RESIDENTS OF SWITZERLAND

In Switzerland, this Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in New Notes described herein. The New Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the New Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Collective Investment Scheme Act, and neither this Offering Circular nor any other offering or marketing material relating to the New Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering of the New Notes has been or will be filed with or approved by any Swiss regulatory authority. The New Notes do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act and are not subject to the approval of, or supervision by, any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority ("FINMA"), and investors in the New Notes will not benefit from protection or supervision by any Swiss regulatory authority.

GENERAL

No action has been taken by the Issuer or any of the Initial Purchasers that would, or is intended to, permit a public offer of the New Notes (or beneficial interests therein), or possession or distribution of this Offering Circular or any other offering or publicity material relating to the New Notes, in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Initial Purchaser has undertaken that it will not, directly or indirectly, offer or sell any New Notes (or beneficial interests therein) or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of New Notes (or beneficial interests therein) by it will be made on the same terms.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the New Notes, investors in the New Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the New Notes. References to New Notes in this section should, as appropriate, be deemed to refer to the New Notes themselves and/or beneficial interests therein.

According to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents in Turkey will be free to purchase and sell securities and other capital market instruments traded on financial markets abroad, and to transfer their purchasing proceeds abroad through banks and the intermediary institutions authorized in accordance with capital market legislation.

The Bank has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes 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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only: (a) to persons reasonably believed to be QIBs in compliance with Rule 144A under the Securities Act and (b) to non-US persons in offshore transactions in compliance with Regulation S under the Securities Act.

If an investor invests in the New Notes, then such investor will be deemed to have acknowledged, represented and agreed with the Initial Purchasers and the Bank as follows:

(a) Such investor understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities law and that the New Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption from the registration requirements thereof or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (d) below.

(b) Such investor is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Bank and is not acting on the Bank's behalf, and such investor is either: (i) a QIB and is aware that any sale of New Notes to it will be made in reliance upon Rule 144A and such acquisition will be for its own account or for the account of another QIB or (ii) not a "US person" (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a US person (other than a distributor) and is purchasing New Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(c) Such investor acknowledges that none of the Bank or the Initial Purchasers, or any person representing the Bank or the Initial Purchasers, has made any representation to it with respect to the Bank or the offer or sale of any of the New Notes, other than the information contained in this Offering Circular, which has been delivered to the investor and upon which such investor is relying in making its investment decision with respect to the New Notes. Such investor acknowledges that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Circular. Such investor has had access to such financial and other information concerning the Bank and the New Notes as it has deemed necessary in connection with its decision to purchase the New Notes, including an opportunity to ask questions of and request information from the Bank and the Initial Purchasers.

(d) Such investor is investing in the New Notes for its own account, or for one or more investor accounts for which such investor is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other law.

With respect to the Rule 144A Notes, each investor therein agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing a Rule 144A Note, and each subsequent investor in a Rule 144A Note by its acceptance thereof (or of a beneficial interest therein) will agree (or will be deemed to agree), to offer, sell or otherwise transfer such New Notes prior to: (i) the date that is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the New Issue Date and the last date on which the Bank or any affiliate of the Bank was the owner of such Rule 144A Note (or any predecessor thereto), or (ii) such later date, if any, as may be required by applicable law (the "*Resale Restriction Termination Date*"), only: (A) to the Bank, (B) pursuant to a registration statement that has been declared effective under the Securities Act, (C) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person reasonably believed to be a QIB that purchases for its own account or for the account of another QIB to whom such investor gives notice that the transfer is being made in reliance upon Rule 144A, (D) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the Securities Act or (E) pursuant to any other available exemption from the registration requirements of the Securities Act, and, in each case, in compliance with the relevant securities laws of any applicable jurisdiction. The foregoing restrictions on resale will not apply after the Resale Restriction Termination Date; *however*, any resale of the Notes thereafter will continue to need to comply with all applicable laws. Such investor acknowledges that the Bank reserves the right prior to any offer, sale or other transfer of a Rule 144A Note pursuant to clause (D) or (E) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Bank.

With respect to the Regulation S Notes, each investor therein agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing a Regulation S Note, that no offer, sale, pledge or other transfer made during the Distribution Compliance Period (*i.e.*, prior to the date 40 days after the closing date of this Offering) shall be made to a US person or for the account or benefit of a US person (other than a distributor).

(e) Each Rule 144A Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NEITHER THIS NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (b) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT PRIOR TO: (i) THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE NEW ISSUE DATE OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144) OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE), OR (ii) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "*RESALE RESTRICTION TERMINATION DATE*"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) EXCEPT: (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE UPON RULE 144A UNDER THE SECURITIES ACT, (D) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE RELEVANT SECURITIES LAWS OF ANY APPLICABLE JURISDICTION; *PROVIDED* THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, AND (c) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF

THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER HEREOF AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERM "OFFSHORE TRANSACTION" HAS THE MEANING GIVEN TO IT BY REGULATION S UNDER THE SECURITIES ACT.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A US GOVERNMENTAL PLAN OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

Each Regulation S Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT IS PURCHASING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT NO OFFER, SALE, PLEDGE OR OTHER TRANSFER MADE PRIOR TO THE DATE 40 DAYS AFTER THE NEW ISSUE DATE SHALL BE MADE TO A US PERSON OR FOR THE ACCOUNT OR BENEFIT OF A US PERSON (OTHER THAN A DISTRIBUTOR).

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO AND SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A US GOVERNMENTAL PLAN OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

(f) If such investor purchases the New Notes (or any beneficial interest therein), then it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the New Notes as well as to holders of the New Notes.

(g) Such investor acknowledges that the Registrar will not be required to accept for registration of transfer any New Notes acquired by it except upon presentation of evidence satisfactory to the Bank and the Registrar that the restrictions set forth herein have been complied with.

(h) Such investor acknowledges that:

(i) the Bank, the Initial Purchasers and others will rely upon the truth and accuracy of such investor's acknowledgements, representations and agreements set forth herein and such investor agrees (or will be deemed to agree) that if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, such investor will notify the Bank and the Initial Purchasers promptly in writing, and

(ii) if such investor is acquiring any New Notes as fiduciary or agent for one or more investor accounts, such investor represents with respect to each such account that:

(A) such investor has sole investment discretion, and

(B) such investor has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the New Notes.

(i) Such investor agrees that it will give to each person to whom it transfers a New Note notice of any restrictions on the transfer of such New Note.

(j) Such investor understands that no action has been taken in any jurisdiction (including the United States) by the Bank or the Initial Purchasers that would permit a public offering of the New Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to the Bank or the New Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the New Notes will be subject to the selling restrictions set forth under this "Transfer Restrictions" section and "Selling Restrictions."

(k) Each purchaser and transferee of a New Note (or a beneficial interest therein) will be deemed to represent and warrant that either: (i) it is not acquiring the New Note (or a beneficial interest therein) with the assets of an "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject to the provisions of Title I of ERISA any "plan" as defined in and subject to Section 4975 of the Code, any entity whose underlying assets include "plan assets" of any of the foregoing or a US governmental plan or other employee benefit plan that is subject to any Similar Law, or (ii) the acquisition, holding and disposition of such New Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law.

LEGAL MATTERS

Certain matters relating to the issuance of the New 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 issuance and sale of the New Notes by the Bank and the execution and delivery by the Bank of the transaction documents have been authorized pursuant to the authority of the officers of the Bank under a resolution of its Board of Directors dated November 27, 2012.

Listing

An application has been made to the Irish Stock Exchange to admit the New Notes to listing on 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 New Notes to the Official List and trading on the Main Securities Market will be granted on or before the New Issue Date, subject only to the issue of the New Notes. The expenses in connection with the admission of the New Notes to the Official List and to trading on the Main Securities Market are expected to amount to approximately €2,690.

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.

Clearing Systems

The Rule 144A Certificates have been accepted into DTC's book-entry settlement system and the Regulation S Certificate has been accepted into the applicable systems used by Euroclear and Clearstream, Luxembourg (CUSIP number 900151AD3, ISIN code US900151AD37 and Common Code number 078394994 with respect to the Rule 144A Notes and ISIN code XS0808632250 and Common Code number 080863225 with respect to the Regulation S Notes).

Interest Payments

The Bank has been advised by DTC that through DTC's accounting and payment procedures DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based upon DTC participant holdings of the Notes on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "*New York Business Day*" is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are authorized or required by law or executive order to close.

Significant or Material Change

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

Interests of Natural and Legal Persons Involved in the Issue

Except as noted in the first three paragraphs of "Plan of Distribution," no natural or legal person involved in the issue of the New Notes has an interest, including a conflicting interest, that is material to the issue of the Notes.

Independent 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 Regarding the Authorization and Activities of Incorporations that will perform Independent Audits and the 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 and 2011 have been audited in accordance with the International Standards on Auditing by KPMG.

KPMG is an independent certified public accountant in Turkey and authorized by the BRSA to conduct independent audits of banks in Turkey. See "Risk Factors – Risks Related to the Group's Business – Audit Qualification."

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank is aware) that may have, or have had, during the 12 months prior to the date of this Offering Circular, a significant effect on the Group's financial position or profitability.

Documents

The Bank produces audited consolidated annual and unaudited consolidated and unconsolidated quarterly and semi-annual interim financial statements. The BRSA Financial Statements are originally produced in Turkish and translated into English. Copies of the latest audited annual and unaudited quarterly and semi-annual interim reports of the Bank (in English) delivered by the Bank pursuant to Condition 5 may be obtained, and copies of the Bank's articles of association (with a certified English translation thereof) and its audited financial statements as of and for the years ended December 31, 2011 and 2012, and copies of the transaction documents referred to herein (including the forms of the New Notes) will be available for inspection, for the life of this Offering Circular, at the offices of the Bank and the Fiscal Agent.

Copies of this Offering Circular, the constitutional documents of the Bank, the Group's financial statements for the latest two years and (after the New Issue Date) the Deed of Covenant and the Agency Agreement will be available in physical form for inspection, for the life of this Offering Circular, at the Bank's headquarters at İş Kuleleri, 34330 Levent, İstanbul, Turkey, with such financial statements also being available on the Bank's website at http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_consolidated-407-401.aspx (with respect to BRSA Financial Statements) and http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/IFRS_fully_consolidated-405-401.aspx (with respect to IFRS Financial Statements) (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Offering Circular). The telephone number for the Bank's headquarters is +90 212 316 1602.

Material Contracts

The Bank has not entered into any material contract outside the ordinary course of its business that could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the New Notes.

INDEX OF TERMS

OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

Certain of the financial statements and financial information included in this Offering Circular have been prepared in accordance with Turkish Accounting Standards ("*TAS*"), Turkish Financial Reporting Standards ("*TFRS*") and the statements, communiqués and guidance published by the BRSA on accounting and financial reporting principles (*i.e.*, the BRSA Principles). Although the TFRS is almost an exact translation of IFRS, the BRSA Principles, statements, communiqués and guidance differ from IFRS in some instances. Such differences primarily relate to presentation of financial statements, disclosure requirements and accounting policies. The following paragraphs summarize major areas in which the BRSA Principles and IFRS differ from each other.

Consolidation

Consolidation principles under the BRSA Principles and IFRS are based upon the concept of the power to control in determining whether a parent/subsidiary relationship exists and that consolidation is appropriate. Control is typically exhibited where an entity has the majority of the voting rights.

Under the BRSA Principles, only subsidiaries and associates operating in the financial services sector are required to be consolidated with a bank; the rest are carried at cost or at fair value. IFRS does not make such a sectoral distinction in terms of consolidation.

Allowance for Loan Losses

Under the BRSA Principles, specific and general reserves for possible loan losses are provided for in accordance with the Regulation on Provisions and Classification of Loans and Receivables issued by the BRSA. All loans are grouped into five categories mainly depending upon their past due status and creditworthiness of the borrower. The BRSA Principles have prescribed certain minimum provisioning rates for groups comprising non-performing loans after taking into account collateral (specific provision) and a separate rate for groups comprising performing loans (general provision - the general provision rate is specified by BRSA and applied consistently across the Turkish banking sector).

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 the 2012 the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulation; *it being understood* that 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"). 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 would (if in place as of such date) have had a limited effect (particularly for Group V, which by regulation requires 100% provisions).

Under IFRS, for loans that have been identified as impaired, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate. IFRS requires a form of individual assessment for loans that are individually significant and a collective assessment for loans that form part of a group of loans with similar credit characteristics.

Deferred Tax

In accordance with IFRS, deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. On the other hand, under the BRSA Principles, it is not permitted to recognize deferred tax on a general provision allocated based upon BRSA rules although it constitutes a temporary difference based upon IAS 12 Income Taxes. Besides, under IFRS, it shall be calculated deferred tax base for the difference between allowances for loan losses calculated based upon the BRSA Principles and IFRS.

Presentation of Financial Statements

Although presentation of the financial statements under both the BRSA Principles and IFRS are similar to each other, there are still differences (*e.g.*, IFRS 7). BRSA financial statements are presented under a special format determined by the BRSA. Similarly, both cash flow and comprehensive income statements are presented using this specified format.

There are other similar differences in the accounting policies and disclosure requirements applied to subsidiaries and associates that are subject to consolidation. These differences vary based upon the sector that the related associate or subsidiary operates in, especially those providing life and non-life insurance services, which are subject to the undersecretariat of Treasury policies/requirements, and factoring and leasing services, which are subject to specific BRSA policies/requirements.

BRSA FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011 AND 2012

Following are the BRSA consolidated financial statements of the Group and the BRSA unconsolidated financial statements of the Bank and notes thereto for the fiscal years ended December 31, 2011 and 2012, together with the audit reports thereon. The BRSA consolidated financial statements of the Group and the BRSA unconsolidated financial statements of the Bank and notes thereto for the fiscal year ended December 31, 2010 are incorporated into the corresponding BRSA Financial Statements for the year ended December 31, 2011.

APPENDIX B1

AUDITED BRSA FINANCIAL STATEMENTS OF THE GROUP FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012 (INCLUDING COMPARATIVE 2011 NUMBERS)

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)

Türkiye İş Bankası Anonim Şirketi

Consolidated Financial Statements As of and For the Year Ended 31 December 2012

With Independent Auditors' Report Thereon

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

14 February 2013

This report includes "Independent Auditors' Report" comprising 1 page and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 106 pages.

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Note 1 in Section Three)

To the Board of Directors of Türkiye İş Bankası Anonim Şirketi;

We have audited the consolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 31 December 2012 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communiqués and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our audit opinion.

The accompanying consolidated financial statements as of 31 December 2012 include a general provision amounting TL 1,000,000 thousands, TL 950,000 thousands of which had been recognized as expense in the prior periods and TL 50,000 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2012 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 and Article 38 of the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

İstanbul
14 February 2013

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat ALSAN
Partner, Certified Public Accountant

Additional paragraph for convenience translation to English:

As explained in Note I in Section Three, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2012

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul
Telephone: 0212 316 00 00
Fax: 0212 316 09 00
Web site: www.isbank.com.tr
E-mail: 4440202@isbank.com.tr

The consolidated financial report as of and for the year ended 31 December 2012 prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, comprises the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
- INFORMATION ON THE FINANCIAL POSITION OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

Associate and subsidiaries whose financial statements have been consolidated in the consolidated financial report are as follows:

Subsidiaries	Associates
ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ	ARAP-TÜRK BANKASI A.Ş.
ANADOLU HAYAT EMEKLİLİK A.Ş.	
CAMİŞ MENKUL DEĞERLER A.Ş.	
CLOSED JOINT STOCK COMPANY İŞBANK (CJSC İŞBANK)	
EFES VARLIK YÖNETİM A.Ş.	
IS INVESTMENT GULF LTD.	
İŞ FACTORING HİZMETLERİ A.Ş.	
İŞ FİNANSAL KİRALAMA A.Ş.	
İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.	
İŞ PORTFÖY YÖNETİMİ A.Ş.	
İŞ YATIRIM MENKUL DEĞERLER A.Ş.	
İŞ YATIRIM ORTAKLIĞI A.Ş.	
İŞBANK AG	
MAXIS SECURITIES LTD.	
MİLLİ REASÜRANS T.A.Ş.	
TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.	
YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.	

Although they are neither subsidiaries nor associates of the Parent Bank, TIB Diversified Payment Rights Finance Company and TIB Card Receivables Funding Company Limited have been consolidated within the framework of Turkish Accounting Standards.

The consolidated financial statements and, related disclosures and footnotes in this report are prepared, unless otherwise indicated, in thousands of the Turkish Lira (TL), in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and the Bank's financial records, and they have been subject to independent audit and presented as the attached.

Prof. Dr. Savaş Taşkent Member of the Board and the Audit Committee	**Füsun Tümsavaş** Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	**H. Ersin Özince** Chairman of the Board of Directors
Ali Tolga Ünal Head of Financial Management Division	**Mahmut Magemizoğlu** Deputy Chief Executive In Charge of Financial Reporting	**Adnan Bali** Chief Executive Officer

The authorized contact person for questions on this consolidated financial report:

Name – Surname / Title: Süleyman H. Özcan / Head of Investor Relations Division
Phone No : +90 212 316 16 02
Fax No : +90 212 316 08 40
E-mail : Suleyman.Ozcan@isbank.com.tr
investorrelations@isbank.com.tr
Website : www.isbank.com.tr

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

SECTION ONE: GENERAL INFORMATION ABOUT THE PARENT BANK

I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status

Türkiye İş Bankası A.Ş. ("the Bank" or "the Parent Bank") was established on 26 August 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. The Bank status has not been changed since its establishment.

II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Parent Bank, any Changes in the Period, and Information on the Bank's Risk Group

According to the Central Registry Agency data as of 31 December 2012, 40.73% of the Bank's shares are owned by Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund (Vakıf), 28.09% are owned by the Republican People's Party-CHP (Atatürk's shares) and 31.18% are on free float. (Central Registry Agency data as of 31 December 2011: Vakıf 40.43%, CHP 28.09%, free float 31.48%).

III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank

Board of Directors and Auditors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Füsun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee, TRNC Internal Systems Committee and the Risk Committee, Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee, TRNC Internal Systems Committee and the Remuneration Committee
Hasan Koçhan	Director, Member of the Credit Committee
Aynur Dülger Ataklı	Director, Member of the Social Responsibility Committee
M. Mete Başol	Director, Alternate Member of the Credit Committee
Mustafa Kıcalıoğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility Committee, Alternate Member of the Credit Committee
Hüseyin Yalçın	Director
Murat Vulkan	Director
A. Taciser Bayer	Auditor
Kemal Ağanoğlu	Auditor

Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Administrative Position
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Özcan Türkakın[1]	Equity Participations, Corporate Communications Management, Member of the Social Responsibility Committee and the Risk Committee
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Suat İnce	Corporate and Commercial Banking Marketing, Sales and Product Management, Free Zone Branches
Serdar Gençer	Banking Operations and Payment Operations, Retail Loan and Card Operations, Foreign Trade and Commercial Loan Operations, Internal Operations Management
Hakan Aran	Alternative Distribution Channels Operations, Information Technology Management
Aydın Süha Önder	Legal Counsellorship, Financial Analysis, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery Management
Levent Korba	Support Services and Purchasing, Construction and Real Estate Management, Branch Network Development
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans and Consumer Loans Underwriting, Credit Risk Management and Portfolio Monitoring, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management, Private Banking Marketing and Sale Management, Member of the Social Responsibility Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, Strategy and Corporate Performance Management and Talent Management
A. Erdal Aral[1]	International Banking, Branches Abroad and Foreign Representative Offices, Capital Markets Management
Senar Akkuş	Economic Research, Treasury Management, Member of the Risk Committee

[1] As of 30 January 2013 Mr. Özcan Türkakın and Mr. A. Erdal Aral resigned from the positions at Bank and Mr. İlhami Koç and Mr. Yılmaz Ertürk are appointed as deputy chief executives.

The Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance

IV. Explanation on the Parent Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,832,622	40.73%	1,832,622	
Cumhuriyet Halk Partisi – Republican People's Party (Atatürk's Shares)	1,264,142	28.09%	1,264,142	

Source: Central Registry Agency

V. Summary Information on the Parent Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Parent Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Explanation about the Institutions Subject to Line-By-Line Method or Proportional Consolidation and Institutions which are Deducted from Equity or not Included in These Three Methods

Bank's are obligated to prepare consolidated financial statements for credit institutions and financial subsidiaries for creating legal restrictions on a consolidated basis based on the "Communiqué on Preparation of Consolidated Financial Statements of Banks" by applying Turkish Accounting Standards. There is not any difference between the related Communiqué and the consolidation operations that is based on Turkish Accounting Standards. The consolidated financial statement includes the subsidiaries of the Bank which are credit institutions or financial institutions accordance with the BRSA regulations. As of current there is no credit institution or financial institution subsidiaries which are excluded in the scope of the consolidation.

The information about the organizations in the scope of the consolidation:

The Parent Bank and its subsidiaries;

- ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
- ANADOLU HAYAT EMEKLİLİK A.Ş.
- CAMİŞ MENKUL DEĞERLER A.Ş.
- CJSC İŞBANK
- EFES VARLIK YÖNETİMİ A.Ş.
- IS INVESTMENT GULF LTD.
- İŞ FACTORİNG FİNANSMAN HİZMETLERİ A.Ş.
- İŞ FINANSAL KİRALAMA A.Ş.
- İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.
- İŞ PORTFÖY YÖNETİMİ A.Ş.
- İŞ YATIRIM MENKUL DEĞERLER A.Ş.
- İŞ YATIRIM ORTAKLIĞI A.Ş.
- İŞBANK AG
- MAXIS SECURITIES LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.
- YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.

are fully consolidated,

Its associate;

- ARAP-TÜRK BANKASI A.Ş.

is accounted under equity accounting method.

At the same time, special purpose entities established for the Bank's securitization debt transactions

- TIB Diversified Payment Rights Finance Company
- TIB Card Receivables Funding Company Limited

are consolidated in the consolidated financial statements in accordance with the Interpretation No 12 of Turkish Accounting Standards "Consolidation – Special Purpose Entities".

Consolidated companies are active in the areas of banking, insurance and reinsurance, private pension, reinsurance, finance leasing, factoring, real estate investment, brokerage, investment consulting, portfolio and asset management. Those companies are explained below.

Anadolu Anonim Türk Sigorta Şirketi

The Company was established in 1925 and operates in almost all non-life insurance. The headquarter of the Company is in Istanbul. The Company's shares are traded in the İstanbul Stock Exchange (ISE).

Anadolu Hayat Emeklilik A.Ş.

The Company was founded in 1990 and its headquarter is in Istanbul. The company's main activities are private individual or group pension and life insurance. There are 21 private pension funds founded by the company. The company's shares are traded in the Istanbul Stock Exchange (ISE).

Camiş Menkul Değerler A.Ş.

Founded in 1984, the Company operates in the capital market as a brokerage house.

CJSC İşbank

The Bank, which was founded in 1998 and headquartered in Moscow, has also branches in Volga, Saint-Petersburg, and in Novosibirsk. The Bank gives commercial banking services in the Russian Federation, which mainly consists of deposit, loan and brokerage operations.

Efes Varlık Yönetimi A.Ş.

The field of activity of the company, which was founded in February 2011 is to purchase and sell the receivables and other assets of deposit banks, participation banks and other financial institutions. The Company's headquarter is in İstanbul.

Is Investment Gulf Ltd.

The purpose of the Company, which was founded in Dubai in the year 2011, is to operate in capital markets in the gulf region.

İş Factoring Finansman Hizmetleri A.Ş.

The field of operation of the Company, which operates in the factoring sector since 1993, is domestic and foreign factoring operations. The Company's headquarter is in İstanbul.

İş Finansal Kiralama A.Ş.

The Company, whose field of activity is financial leasing within the country and abroad started its business in 1988. The headquarters of the Company is in Istanbul. The Company's shares are traded in the İstanbul Stock Exchange (ISE).

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

The Company whose main field of activity is investing in real estate, capital market instruments backed by real estate, real_estate projects and capital market instruments is conducting its business in the sector as a real estate investment trust since 1999. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since its establishment.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Having started its venture capital business in the year 2000, the Company operates in five fields; informatics, sound and communication systems, producing and commerce of orthopedic products, sport clothing and commerce and restaurant management. The company's shares are traded in the İstanbul Stock Exchange (ISE) since the year 2004.

İş Portföy Yönetimi A.Ş.

The purpose of the Company, which was founded in 2000, is to engage in capital market operations stated in its articles of association. Among the capital market operations, the company offers portfolio management and investment consulting services only to corporate investors.

İş Yatırım Menkul Değerler A.Ş.

The Company's main field of activity is composed of intermediary, corporate finance, investment consulting and private portfolio management services. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since May 2007.

İş Yatırım Ortaklığı A.Ş.

The field of activity of the Company, which was founded in İstanbul in the year 1995, is portfolio management. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since April 1996. In July 2012, the Company has acquired one of the Group companies, TSKB Yatırım Ortaklığı A.Ş. through direct acquisition.

İşbank AG

İşbank AG was founded to carry out the banking transactions in Europe. İşbank AG has 16 branches in total, 12 branches in Germany, 1 branch in the Netherlands, 1 branch in France, 1 branch in Switzerland and 1 branch in Bulgaria. The title of the İşbank GmbH has been changed during August 2012 as İşbank AG and the status of the company has been transformed form limited company to joint stock company with the title change.

Maxis Securities Ltd.

The purpose of the Company, which was founded in England in the year 2005, is to operate in activities in foreign capital markets.

Milli Reasürans T.A.Ş.

The Company, which was founded in 1929 to provide reinsurance services is located in Istanbul.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

The major field of activity of the Company, which was founded in 2006, is to create and develop an investment property portfolio and to invest in capital market instruments that are based on investment properties. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since April 2010.

Türkiye Sınai Kalkınma Bankası A.Ş.

Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) which is an industrial development and an investment bank is founded especially to support private sector investments in industry and to provide domestic and foreign capital to Turkish companies. The Bank's shares are traded in the İstanbul Stock Exchange.

Yatırım Finansman Menkul Değerler A.Ş.

The Company, which was founded in İstanbul in 1976 has merged with TSKB Menkul Değerler A.Ş. The purpose of the Company is to engage in capital market operations stated in its articles of association.

VII. Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Parent Bank and its Subsidiaries or the Reimbursement of Liabilities

None.

VIII. Written Policies on Assessment of Ensuring Compliance on Market Discipline, Disclosure Obligations, Frequency and Accuracy of the Related Disclosures

The Parent Bank has written policies on assessment of ensuring compliance on market discipline, disclosure obligations, frequency and accuracy of related disclosures. The mentioned policy which is agreed by Board of Directors' minutes decision numbered 35386 and dated on 29 April 2009, can be obtained from the Parent Bank's web site.

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

SECTION TWO: CONSOLIDATED FINANCIAL STATEMENTS

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) - ASSETS

		Foot notes	THOUSANDS TL					
			CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
			TL	FC	Total	TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	V-I-a	**2,619,873**	**13,491,254**	**16,111,127**	**5,070,089**	**8,816,488**	**13,886,577**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**	V-I-b	**1,668,204**	**534,437**	**2,202,641**	**1,436,801**	**981,320**	**2,418,121**
2.1	Financial Assets Held for Trading		1,668,204	534,437	2,202,641	1,436,801	981,320	2,418,121
2.1.1	Government Debt Securities		977,602	5,711	983,313	964,169	12,024	976,193
2.1.2	Equity Securities		195,388	-	195,388	153,621	-	153,621
2.1.3	Derivative Financial Assets Held for Trading		154,780	487,743	642,523	40,368	921,321	961,689
2.1.4	Other Marketable Securities		340,434	40,983	381,417	278,643	47,975	326,618
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	**BANKS**	V-I-c	**2,842,903**	**1,708,990**	**4,551,893**	**602,461**	**4,145,445**	**4,747,906**
IV.	**MONEY MARKET PLACEMENTS**		**81,675**	**-**	**81,675**	**128,472**	**43,141**	**171,613**
4.1	Interbank Money Market Placements		-	-	-	-	43,141	43,141
4.2	Istanbul Stock Exchange Money Market Placements		72,968	-	72,968	120,520	-	120,520
4.3	Receivables from Reverse Repurchase Agreements		8,707	-	8,707	7,952	-	7,952
V.	**FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**	V-I-d	**24,817,136**	**7,356,689**	**32,173,825**	**22,218,908**	**11,338,158**	**33,557,066**
5.1	Equity Securities		134,271	3,209	137,480	67,930	2,957	70,887
5.2	Government Debt Securities		24,337,618	5,777,789	30,115,407	21,987,623	8,457,768	30,445,391
5.3	Other Marketable Securities		345,247	1,575,691	1,920,938	163,355	2,877,433	3,040,788
VI.	**LOANS AND RECEIVABLES**	V-I-e	**73,101,703**	**42,116,780**	**115,218,483**	**60,393,116**	**38,635,006**	**99,028,122**
6.1	Loans and receivables		72,646,147	42,072,632	114,718,779	60,393,116	38,635,006	99,028,122
6.1.1	Loans to the Bank's Risk Group		300,173	267,004	567,177	124,842	577,347	702,189
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		72,345,974	41,805,628	114,151,602	60,268,274	38,057,659	98,325,933
6.2	Non-Performing Loans		2,030,689	123,793	2,154,482	1,986,423	122,996	2,109,419
6.3	Specific Provisions (-)		1,575,133	79,645	1,654,778	1,986,423	122,996	2,109,419
VII.	**FACTORING RECEIVABLES**		**987,006**	**27,934**	**1,014,940**	**401,882**	**2,771**	**404,653**
VIII.	**INVESTMENTS HELD TO MATURITY (Net)**	V-I-f	**11,040,338**	**8,441**	**11,048,779**	**13,693,624**	**13,808**	**13,707,432**
8.1	Government Debt Securities		11,033,267	-	11,033,267	13,686,705	-	13,686,705
8.2	Other Marketable Securities		7,071	8,441	15,512	6,919	13,808	20,727
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	V-I-g	**778,066**	**215**	**778,281**	**776,804**	**147**	**776,951**
9.1	Associates Accounted for Using the Equity Method		86,722	-	86,722	74,405	-	74,405
9.2	Unconsolidated Associates		691,344	215	691,559	702,399	147	702,546
9.2.1	Financial Investments		-	-	-			
9.2.2	Non-Financial Investments		691,344	215	691,559	702,399	147	702,546
X.	**INVESTMENTS IN SUBSIDIARIES (Net)**	V-I-h	**3,620,153**	**-**	**3,620,153**	**3,202,087**	**-**	**3,202,087**
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		3,620,153	-	3,620,153	3,202,087	-	3,202,087
XI.	**JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)**	V-I-i	-	-	-	-	-	-
11.1	Jointly Controlled Entities Accounted for Using the Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Jointly Controlled Entities		-	-	-	-	-	-
11.2.1	Jointly Controlled Financial Entities		-	-	-	-	-	-
11.2.2	Jointly Controlled Non-Financial Entities		-	-	-	-	-	-
XII.	**LEASE RECEIVABLES**	V-I-j	**312,578**	**1,071,877**	**1,384,455**	**224,157**	**1,152,233**	**1,376,390**
12.1	Finance Lease Receivables		373,251	1,233,374	1,606,625	268,745	1,330,620	1,599,365
12.2	Operating Lease Receivables		3,125	-	3,125	2,278	-	2,278
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		63,798	161,497	225,295	46,866	178,387	225,253
XIII.	**DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT**	V-I-k	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XIV.	**TANGIBLE ASSETS (Net)**	V-I-l	**2,056,546**	**83,238**	**2,139,784**	**2,083,637**	**83,215**	**2,166,852**
XV.	**INTANGIBLE ASSETS (Net)**	V-I-m	**187,836**	**1,791**	**189,627**	**119,841**	**511**	**120,352**
15.1	Goodwill		35,974	-	35,974	29,590	-	29,590
15.2	Other		151,862	1,791	153,653	90,251	511	90,762
XVI.	**INVESTMENT PROPERTY (Net)**	V-I-n	**1,108,704**	**-**	**1,108,704**	**1,037,294**	**-**	**1,037,294**
XVII.	**TAX ASSETS**	V-I-o	**729,844**	**8,553**	**738,397**	**651,686**	**4,233**	**655,919**
17.1	Current Tax Asset		29,121	5,303	34,424	18,822	1,313	20,135
17.2	Deferred Tax Asset		700,723	3,250	703,973	632,864	2,920	635,784
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	V-I-p	**73,295**	**-**	**73,295**	**60,256**	**-**	**60,256**
18.1	Held for Sale		73,295	-	73,295	60,256	-	60,256
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**	V-I-q	**7,509,778**	**1,128,902**	**8,638,680**	**5,404,327**	**1,213,912**	**6,618,239**
	TOTAL ASSETS		**133,535,638**	**67,539,101**	**201,074,739**	**117,505,442**	**66,430,388**	**183,935,830**

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

II. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) – LIABILITIES AND EQUITY

		Foot notes	THOUSANDS TL					
			CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
			TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	V-II-a	**63,574,673**	**42,436,187**	**106,010,860**	**59,387,345**	**39,444,651**	**98,831,996**
1.1	Deposits from the Bank's Risk Group		697,009	1,594,374	2,291,383	737,617	1,395,545	2,133,162
1.2	Other		62,877,664	40,841,813	103,719,477	58,649,728	38,049,106	96,698,834
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	V-II-b	**393,716**	**366,724**	**760,440**	**471,036**	**445,050**	**916,086**
III.	**FUNDS BORROWED**	V-II-c	**1,846,350**	**17,226,437**	**19,072,787**	**542,151**	**18,237,124**	**18,779,275**
IV.	**MONEY MARKET FUNDS**		**13,673,648**	**3,357,183**	**17,030,831**	**16,425,130**	**6,047,852**	**22,472,982**
4.1	Interbank Money Market Funds		-	19,458	19,458	-	-	-
4.2	Istanbul Stock Exchange Money Market Funds		2,180,946	-	2,180,946	1,975,830	-	1,975,830
4.3	Funds Provided Under Repurchase Agreements		11,492,702	3,337,725	14,830,427	14,449,300	6,047,852	20,497,152
V.	**MARKETABLE SECURITIES ISSUED (Net)**	V-II-d	**4,678,374**	**1,797,989**	**6,476,363**	**2,822,425**	**943,451**	**3,765,876**
5.1	Bills		3,487,256	-	3,487,256	1,888,329	-	1,888,329
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		1,191,118	1,797,989	2,989,107	934,096	943,451	1,877,547
VI.	**FUNDS**		**1,909**	**7,836**	**9,745**	**1,559**	**6,335**	**7,894**
6.1	Borrower Funds		1,909	7,836	9,745	1,559	6,335	7,894
6.2	Other		-	-	-	-	-	-
VII.	**MISCELLANEOUS PAYABLES**		**8,590,411**	**594,067**	**9,184,478**	**6,477,050**	**684,671**	**7,161,721**
VIII.	**OTHER LIABILITIES**	V-II-e	**1,973,307**	**2,911,687**	**4,884,994**	**958,493**	**1,483,989**	**2,442,482**
IX.	**FACTORING PAYABLES**		-	-	-	-	-	-
X.	**LEASE PAYABLES (Net)**	V-II-f	-	-	-	-	-	-
10.1	Finance Lease Payables		-	-	-	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT**	V-II-g	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XII.	**PROVISIONS**	V-II-h	**9,746,437**	**513,620**	**10,260,057**	**8,186,512**	**527,356**	**8,713,868**
12.1	General Loan Loss Provision		1,697,391	7,762	1,705,153	1,309,809	6,126	1,315,935
12.2	Provision for Restructuring		-	-	-	-	-	-
12.3	Reserves for Employee Benefits		405,404	1,287	406,691	285,879	1,577	287,456
12.4	Insurance Technical Reserves (Net)		4,165,394	486,019	4,651,413	3,841,450	493,191	4,334,641
12.5	Other Provisions		3,478,248	18,552	3,496,800	2,749,374	26,462	2,775,836
XIII.	**TAX LIABILITY**	V-II-i	**624,437**	**7,416**	**631,853**	**432,460**	**5,621**	**438,081**
13.1	Current Tax Liability		618,004	6,579	624,583	429,620	4,371	433,991
13.2	Deferred Tax Liability		6,433	837	7,270	2,840	1,250	4,090
XIV.	**LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**	V-II-j	-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	V-II-k	**-**	**1,893,576**	**1,893,576**	**-**	**95,000**	**95,000**
XVI.	**SHAREHOLDERS' EQUITY**	V-II-l	**24,259,134**	**599,621**	**24,858,755**	**20,087,861**	**222,708**	**20,310,569**
16.1	Paid-in Capital		4,500,000	-	4,500,000	4,500,000	-	4,500,000
16.2	Capital Reserves		3,787,286	474,466	4,261,752	2,669,140	139,462	2,808,602
16.2.1	Share premium		33,940	-	33,940	33,937	-	33,937
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Value Increase Fund		2,138,587	474,466	2,613,053	1,020,444	139,462	1,159,906
16.2.4	Tangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(1,179)	-	(1,179)	(1,179)	-	(1,179)
16.2.8	Hedging Reserves (Effective Portion)		-	-	-	-	-	-
16.2.9	Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		1,615,938	-	1,615,938	1,615,938	-	1,615,938
16.3	Profit Reserves		10,334,091	68,583	10,402,674	8,288,613	63,389	8,352,002
16.3.1	Legal Reserves		2,031,309	-	2,031,309	1,838,830	-	1,838,830
16.3.2	Statutory Reserves		48,553	-	48,553	39,586	-	39,586
16.3.3	Extraordinary Reserves		8,309,493	9,497	8,318,990	6,363,703	(439)	6,363,264
16.3.4	Other Profit Reserves		(55,264)	59,086	3,822	46,494	63,828	110,322
16.4	Profit or Loss		2,784,682	17,830	2,802,512	2,165,106	14,409	2,179,515
16.4.1	Prior Years' Profit/Loss		(613,983)	4,473	(609,510)	(93,632)	1,608	(92,024)
16.4.2	Current Period Profit/Loss		3,398,665	13,357	3,412,022	2,258,738	12,801	2,271,539
16.5	Non-controlling Interest	V-II-m	2,853,075	38,742	2,891,817	2,465,002	5,448	2,470,450
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**129,362,396**	**71,712,343**	**201,074,739**	**115,792,022**	**68,143,808**	**183,935,830**

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

III. CONSOLIDATED OFF-BALANCE SHEET ITEMS

		THOUSANDS TL					
		CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
	Footnotes	TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		**171,268,406**	**77,815,760**	**249,084,166**	**149,467,671**	**82,688,929**	**232,156,600**
I. GUARANTEES AND SURETYSHIPS	**V-III**	**12,908,107**	**17,189,100**	**30,097,207**	**10,304,859**	**16,972,227**	**27,277,086**
1.1.Letters of Guarantee		12,753,135	10,194,326	22,947,461	10,195,804	9,728,469	19,924,273
1.1.1.Guarantees Subject to State Tender Law		788,915	2,923,182	3,712,097	559,333	2,315,888	2,875,221
1.1.2.Guarantees Given for Foreign Trade Operations		1,147,044	2,529,524	3,676,568	935,015	1,817,872	2,752,887
1.1.3.Other Letters of Guarantee		10,817,176	4,741,620	15,558,796	8,701,456	5,594,709	14,296,165
1.2.Bank Acceptances		19,739	1,278,511	1,298,250	3,628	872,696	876,324
1.2.1.Import Letters of Acceptance		-	113,096	113,096	-	123,643	123,643
1.2.2.Other Bank Acceptances		19,739	1,165,415	1,185,154	3,628	749,053	752,681
1.3.Letters of Credit		-	5,220,486	5,220,486	-	5,761,529	5,761,529
1.3.1.Documentary Letters of Credit		-	3,899,886	3,899,886	-	4,289,291	4,289,291
1.3.2.Other Letters of Credit		-	1,320,600	1,320,600	-	1,472,238	1,472,238
1.4.Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.Endorsements		-	-	-	-	-	-
1.5.1.Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.Other Endorsements		-	-	-	-	-	-
1.6.Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7.Factoring Guarantees		69,042	18,083	87,125	39,672	4,168	43,840
1.8.Other Guarantees		66,191	477,694	543,885	65,755	605,365	671,120
1.9.Other Suretyships		-	-	-	-	-	-
II. COMMITMENTS		**139,641,562**	**7,115,507**	**146,757,069**	**119,068,963**	**11,961,315**	**131,030,278**
2.1.Irrevocable Commitments		32,236,265	5,466,913	37,703,178	27,247,865	8,912,156	36,160,021
2.1.1.Forward Asset Purchase Commitments		99,081	796,191	895,272	247,677	1,055,617	1,303,294
2.1.2.Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3 Capital Commitment for Associates and Subsidiaries		120	-	120	25,408	-	25,408
2.1.4.Loan Granting Commitments		5,838,616	918,133	6,756,749	5,075,187	4,399,588	9,474,775
2.1.5.Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6.Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.Commitments for Cheque Payments		6,124,562	-	6,124,562	4,914,758	-	4,914,758
2.1.8.Tax and Fund Liabilities from Export Commitments		13,899	-	13,899	10,283	-	10,283
2.1.9.Commitments for Credit Card Expenditure Limits		15,742,457	-	15,742,457	13,172,835	-	13,172,835
2.1.10.Commitments for Credit Cards and Banking Services Promotions		76,548	-	76,548	60,325	-	60,325
2.1.11.Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12.Payables for Short Sale Commitments		52,774	-	52,774	6,510	-	6,510
2.1.13.Other Irrevocable Commitments		4,288,208	3,752,589	8,040,797	3,734,882	3,456,951	7,191,833
2.2.Revocable Commitments		107,405,297	1,648,594	109,053,891	91,821,098	3,049,159	94,870,257
2.2.1.Revocable Loan Granting Commitments		107,405,297	1,648,594	109,053,891	91,821,098	3,049,159	94,870,257
2.2.2.Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		**18,718,737**	**53,511,153**	**72,229,890**	**20,093,849**	**53,755,387**	**73,849,236**
3.1.Derivative Financial Instruments Held for Risk Management		-	-	-	-	-	-
3.1.1.Fair Value Hedges		-	-	-	-	-	-
3.1.2.Cash Flow Hedges		-	-	-	-	-	-
3.1.3.Net Foreign Investment Hedges		-	-	-	-	-	-
3.2.Derivative Financial Instruments Held for Trading		18,718,737	53,511,153	72,229,890	20,093,849	53,755,387	73,849,236
3.2.1.Forward Foreign Currency Buy/Sell Transactions		4,740,295	9,404,096	14,144,391	5,697,408	12,279,532	17,976,940
3.2.1.1.Forward Foreign Currency Buy Transactions		3,386,864	3,699,476	7,086,340	4,624,783	4,366,439	8,991,222
3.2.1.2.Forward Foreign Currency Sell Transactions		1,353,431	5,704,620	7,058,051	1,072,625	7,913,093	8,985,718
3.2.2.Currency and Interest Rate Swaps		11,322,852	35,262,471	46,585,323	12,531,280	33,214,795	45,746,075
3.2.2.1.Currency Swap Buy Transactions		1,260,755	8,659,050	9,919,805	2,686,329	7,574,161	10,260,490
3.2.2.2.Currency Swap Sell Transactions		2,874,097	6,344,991	9,219,088	3,524,951	6,852,196	10,377,147
3.2.2.3.Interest Rate Swap Buy Transactions		3,594,000	10,129,215	13,723,215	3,160,000	9,394,219	12,554,219
3.2.2.4.Interest Rate Swap Sell Transactions		3,594,000	10,129,215	13,723,215	3,160,000	9,394,219	12,554,219
3.2.3.Currency, Interest Rate and Security Options		2,597,625	8,403,163	11,000,788	1,812,128	7,447,115	9,259,243
3.2.3.1.Currency Call Options		1,435,814	2,799,876	4,235,690	906,064	1,476,887	2,382,951
3.2.3.2.Currency Put Options		1,009,761	3,207,375	4,217,136	906,064	1,473,548	2,379,612
3.2.3.3.Interest Rate Call Options		60,000	1,197,956	1,257,956	-	2,248,340	2,248,340
3.2.3.4.Interest Rate Put Options		60,000	1,197,956	1,257,956	-	2,248,340	2,248,340
3.2.3.5.Securities Call Options		16,032	-	16,032	-	-	-
3.2.3.6.Securities Put Options		16,018	-	16,018	-	-	-
3.2.4.Currency Futures		16,146	20,980	37,126	22,504	24,251	46,755
3.2.4.1.Currency Buy Futures		16,146	3,180	19,326	8,909	14,631	23,540
3.2.4.2.Currency Sell Futures		-	17,800	17,800	13,595	9,620	23,215
3.2.5.Interest Rate Futures		-	-	-	-	-	-
3.2.5.1.Interest Rate Buy Futures		-	-	-	-	-	-
3.2.5.2.Interest Rate Sell Futures		-	-	-	-	-	-
3.2.6.Other		41,819	420,443	462,262	30,529	789,694	820,223

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III. CONSOLIDATED OFF-BALANCE SHEET ITEMS (continued)

		THOUSANDS TL					
		CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
	Footnotes	TL	FC	Total	TL	FC	Total
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		**236,376,386**	**116,378,967**	**352,755,353**	**195,712,622**	**104,218,289**	**299,930,911**
IV. ITEMS HELD IN CUSTODY		**116,338,858**	**8,860,602**	**125,199,460**	**97,368,872**	**8,902,396**	**106,271,268**
4.1.Customers' securities held		21,396,925	545,279	21,942,204	19,928,397	803,652	20,732,049
4.2.Investment securities held in custody		79,278,833	630,739	79,909,572	62,962,021	560,687	63,522,708
4.3.Cheques received for collection		11,418,874	2,385,085	13,803,959	10,841,853	2,049,397	12,891,250
4.4.Commercial notes received for collection		2,059,401	3,396,629	5,456,030	1,674,125	2,891,371	4,565,496
4.5.Other assets received for collection		4,352	32,246	36,598	3,481	35,624	39,105
4.6.Assets received for public offering		2,541	-	2,541	2,541	-	2,541
4.7.Other items under custody		1,198,530	1,870,559	3,069,089	1,204,075	2,561,665	3,765,740
4.8.Custodians		979,402	65	979,467	752,379	-	752,379
V. PLEDGED ITEMS		**119,012,550**	**82,821,816**	**201,834,366**	**97,380,020**	**70,311,470**	**167,691,490**
5.1.Marketable securities		1,871,649	1,208,830	3,080,479	1,901,677	1,282,865	3,184,542
5.2.Guarantee notes		3,863,637	6,908,776	10,772,413	3,727,231	7,241,368	10,968,599
5.3.Commodity		29,751,612	2,192,546	31,944,158	23,101,518	1,282,037	24,383,555
5.4.Warranty		-	-	-	-	-	-
5.5.Real Estates		77,545,713	44,868,184	122,413,897	62,569,140	31,229,055	93,798,195
5.6.Other pledged items		5,979,939	27,596,273	33,576,212	6,080,454	29,218,324	35,298,778
5.7.Pledged items-depository		-	47,207	47,207	-	57,821	57,821
VI. ACCEPTED BILL GUARANTEES AND SURETIES		**1,024,978**	**24,696,549**	**25,721,527**	**963,730**	**25,004,423**	**25,968,153**
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**407,644,792**	**194,194,727**	**601,839,519**	**345,180,293**	**186,907,218**	**532,087,511**

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

IV. CONSOLIDATED INCOME STATEMENT

		Footnotes	THOUSANDS TL CURRENT PERIOD (01/01-31/12/2012)	PRIOR PERIOD (01/01-31/12/2011)
I.	**INTEREST INCOME**	V-IV-a	**14,676,856**	**12,081,352**
1.1	Interest Income on Loans		10,129,963	7,498,817
1.2	Interest Income on Reserve Deposits		-	-
1.3	Interest Income on Banks		199,780	194,132
1.4	Interest Income on Money Market Placements		7,762	5,176
1.5	Interest Income on Marketable Securities Portfolio		4,135,462	4,220,638
1.5.1	Financial Assets Held for Trading		99,255	63,911
1.5.2	Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3	Financial Assets Available for Sale		2,494,658	2,392,929
1.5.4	Held to Maturity Investments		1,541,549	1,763,798
1.6	Finance Lease Income		107,110	102,550
1.7	Other Interest Income		96,779	60,039
II.	**INTEREST EXPENSE**	V-IV-b	**7,834,591**	**6,664,356**
2.1	Interest on Deposits		5,409,094	4,931,769
2.2	Interest on Funds Borrowed		417,738	373,450
2.3	Interest on Money Market Funds		1,476,204	1,109,917
2.4	Interest on Securities Issued		454,618	209,706
2.5	Other Interest Expense		76,937	39,514
III.	**NET INTEREST INCOME / EXPENSE (I - II)**		**6,842,265**	**5,416,996**
IV.	**NET FEES AND COMMISSIONS INCOME / EXPENSE**		**1,258,319**	**1,102,726**
4.1	Fees and Commissions Received		2,081,434	1,788,674
4.1.1	Non-cash Loans		194,994	141,504
4.1.2	Other		1,886,440	1,647,170
4.2	Fees and Commissions Paid		823,115	685,948
4.2.1	Non-cash Loans		9,673	6,359
4.2.2	Other		813,442	679,589
V.	**DIVIDEND INCOME**	V-IV-c	**205,032**	**171,477**
VI.	**TRADING INCOME / LOSS (NET)**	V-IV-d	**871,070**	**446,913**
6.1	Gains/Losses on Securities Trading		767,177	132,031
6.2	Derivative Financial Transactions Gains/Losses		(295,502)	314,865
6.3	Foreign Exchange Gains/Losses		399,395	17
VII.	**OTHER OPERATING INCOME**	V-IV-e	**4,559,561**	**4,060,685**
VIII.	**TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)**		**13,736,247**	**11,198,797**
IX.	**PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)**	V-IV-f	**1,291,545**	**1,494,935**
X.	**OTHER OPERATING EXPENSES (-)**	V-IV-g	**7,783,373**	**6,615,795**
XI.	**NET OPERATING INCOME / EXPENSE (VIII-IX-X)**		**4,661,329**	**3,088,067**
XII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		-	-
XIII.	**PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD**		**12,317**	**9,842**
XIV.	**NET MONETARY POSITION GAIN/LOSS**		-	-
XV.	**PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+…+XIV)**		**4,673,646**	**3,097,909**
XVI.	**TAX PROVISION FOR CONTINUING OPERATIONS (±)**	V-IV-h	**958,912**	**708,541**
16.1	Current Tax Provision		1,263,465	395,096
16.2	Deferred Tax Provision		(304,553)	313,445
XVII.	**NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)**		**3,714,734**	**2,389,368**
XVIII.	**INCOME ON DISCONTINUED OPERATIONS**		-	-
18.1	Income on Assets Held for Sale		-	-
18.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
18.3	Other Income on Discontinued Operations		-	-
XIX.	**EXPENSE ON DISCONTINUED OPERATIONS (-)**		-	-
19.1	Expense on Assets Held for Sale		-	-
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
19.3	Other Expense on Discontinued Operations		-	-
XX.	**PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)**		-	-
XXI.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**	V-IV-i	-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	**NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**		-	-
XXIII.	**NET PERIOD PROFIT/LOSS (XVII+XXII)**	V-IV-j	**3,714,734**	**2,389,368**
23.1	Group's Profit / Loss		3,412,022	2,271,539
23.2	Non-controlling Interest (-)		302,712	117,829
	Earnings Per Share (in full TL)		0.030328478	0.020191054

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

V. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

		THOUSANDS TL CURRENT PERIOD (01/01-31/12/2012)	PRIOR PERIOD (01/01-31/12/2011)
I.	**ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE**	**1,533,550**	**(654,489)**
II.	**REVALUATION SURPLUS ON TANGIBLE ASSETS**		
III.	**REVALUATION SURPLUS ON INTANGIBLE ASSETS**		
IV.	**TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS**	**(106,500)**	**143,157**
V.	**PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)**		
VI.	**PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)**		
VII.	**THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES**		
VIII.	**OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY IN ACCORDANCE WITH TAS**	**140,022**	**454,208**
IX.	**DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES**	**(220,425)**	**118,708**
X.	**NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+…+IX)**	**1,346,647**	**61,584**
XI.	**PROFIT/LOSS FOR THE PERIOD**	**3,412,022**	**2,271,539**
11.1	Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	(28,343)	81,638
11.2	The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement		
11.3	The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement		
11.4	Other	3,440,365	2,189,901
XII.	**TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)**	**4,758,669**	**2,333,123**

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

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

PRIOR PERIOD (31/12/2011)	Footnotes V-V	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Operations	Total Shareholders' Equity Except Non-controlling Interest	Non-controlling Interest	Total Equity
I. Beginning Balance		**4,500,000**	**1,615,938**	**33,937**		**1,610,119**	**28,293**	**4,312,543**	**(32,835)**		**3,028,597**	**1,241,479**		**(1,179)**			**16,336,892**	**2,649,763**	**18,986,655**
II. Corrections Made According to TAS 8																			
2.1.The Effect of Corrections of Errors																			
2.2.The Effect of Changes in Accounting Policies																			
III. Adjusted Beginning Balance (I+II)		**4,500,000**	**1,615,938**	**33,937**		**1,610,119**	**28,293**	**4,312,543**	**(32,835)**		**3,028,597**	**1,241,479**		**(1,179)**			**16,336,892**	**2,649,763**	**18,986,655**
Changes During the Period																			
IV. Increase/Decrease Due to Mergers																		100	100
V. Marketable Securities Value Increase Fund												(81,573)					(81,573)	(211,590)	(293,163)
VI. Hedge Reserves (Effective Portion)																			
6.1. Cash Flow Hedges																			
6.2. Net Foreign Investment Hedges																			
VII. Revaluation Surplus on Tangible Assets																			
VIII. Revaluation Surplus on Intangible Assets																			
IX. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities(Joint Ventures)																			
X. Translation Differences									143,157								143,157	(1,518)	141,639
XI. The Effect of Disposal of Assets																			
XII. The Effect of Reclassification of Assets																			
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																			
XIV. Capital Increase																			
14.1.Cash																			
14.2.Internal Sources																			
XV. Share Issue																			
XVI. Share Cancellation Profits																			
XVII. Paid-in-Capital Inflation Adjustment																			
XVIII. Other						114		536			106						756	(2,396)	(1,640)
XIX. Net Profit / Loss for the Period										2,271,539							2,271,539	117,829	2,389,368
XX. Profit Distribution						228,597	11,293	2,050,185			(3,120,727)						(830,652)	(81,738)	(912,390)
20.1. Dividend Paid											(830,652)						(830,652)	(81,738)	(912,390)
20.2. Transfer to Reserves						228,597	11,293	2,050,185			(2,290,075)								
20.3. Other																			
Ending Balance (III+IV+V...+XVIII+XIX+XX)		**4,500,000**	**1,615,938**	**33,937**	**-**	**1,838,830**	**39,586**	**6,363,264**	**110,322**	**2,271,539**	**(92,024)**	**1,159,906**	**-**	**(1,179)**	**-**	**-**	**17,840,119**	**2,470,450**	**20,310,569**

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

CURRENT PERIOD (31/12/2012)	Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Operations	Total Shareholders' Equity Except Non-controlling Interest	Non-controlling Interest	Total Equity
I. Beginning Balance		**4,500,000**	**1,615,938**	**33,937**	**-**	**1,838,830**	**39,586**	**6,363,264**	**110,322**	**-**	**2,179,515**	**1,159,906**		**(1,179)**	**-**	**-**	**17,840,119**	**2,470,450**	**20,310,569**
Changes During the Period																			
II. Increases / Decreases Due to Mergers																			
III. Marketable Securities Value Increase Fund												1,453,147					1,453,147	197,702	1,650,849
IV. Hedge Reserves(Effective Part)																			
4.1 Cash-flow Hedge																			
4.2 Net Foreign Investment Hedges																			
V. Revaluation Surplus on Tangible Assets																			
VI. Revaluation Surplus on Intangible Assets																			
VII. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities(Joint Ventures)																			
VIII. Translation Differences									(106,500)								(106,500)	447	(106,053)
IX. The Effect of Disposal of Assets																			
X. The Effect of Reclassification of Assets																			
XI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																			
XII. Capital Increase																			
12.1 Cash																			
12.2 Internal Sources																			
XIII. Share Premium																			
XIV. Share Cancellation Profits																			
XV. Paid-in-Capital Inflation Adjustment																			
XVI. Other [(1)]				3		229		1,754			(200)						1,786	(6,386)	(4,600)
XVII. Net Profit / Loss for the Period										3,412,022							3,412,022	302,712	3,714,734
XVIII. Profit Distribution						192,250	8,967	1,953,972			(2,788,825)						(633,636)	(73,108)	(706,744)
18.1 Dividend Paid											(633,636)						(633,636)	(73,108)	(706,744)
18.2 Transfer to Reserves						192,250	8,967	1,953,972			(2,155,189)						-		-
18.3 Other																			
Ending Balance (I+II+III+…+XVI+XVII+XVIII)		**4,500,000**	**1,615,938**	**33,940**	**-**	**2,031,309**	**48,553**	**8,318,990**	**3,822**	3,412,022	**(609,510)**	**2,613,053**	**-**	**(1,179)**	**-**	**-**	**21,966,938**	**2,891,817**	**24,858,755**

[(1)] Representschanges in Group's shares.

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

VII. CONSOLIDATED STATEMENT OF CASH FLOWS

		THOUSANDS TL	
	Footnotes	CURRENT PERIOD (01/01-31/12/2012)	PRIOR PERIOD (01/01-31/12/2011)
A. CASH FLOWS FROM BANKING OPERATIONS	V-VI		
1.1. Operating Profit Before Changes in Operating Assets and Liabilities		**9,850,562**	**3,342,190**
1.1.1.Interest Received		14,771,595	10,711,823
1.1.2.Interest Paid		(7,627,400)	(6,377,928)
1.1.3.Dividend Received		85,338	46,458
1.1.4.Fees and Commissions Received		2,081,434	1,788,674
1.1.5.Other Income		4,764,945	3,131,354
1.1.6.Collections from Previously Written Off Loans and Other Receivables		630,792	977,960
1.1.7.Cash Payments to Personnel and Service Suppliers		(3,436,983)	(3,437,169)
1.1.8.Taxes Paid		(1,247,853)	(486,683)
1.1.9.Other		(171,306)	(3,012,299)
1.2. Changes in Operating Assets and Liabilities		**(20,766,090)**	**(10,514,576)**
1.2.1.Net (Increase) Decrease in Financial Assets Held for Trading		(72,101)	65,217
1.2.2.Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		-	-
1.2.3.Net (Increase) Decrease in Due From Banks		(4,834,446)	(3,828,083)
1.2.4.Net (Increase) Decrease in Loans		(18,466,813)	(24,881,919)
1.2.5.Net (Increase) Decrease in Other Assets		(1,952,338)	(930,387)
1.2.6.Net Increase (Decrease) in Bank Deposits		772,462	(563,132)
1.2.7.Net Increase (Decrease) in Other Deposits		5,209,444	5,961,556
1.2.8.Net Increase (Decrease) in Funds Borrowed		(167,742)	2,829,517
1.2.9.Net Increase (Decrease) in Matured Payables		-	-
1.2.10.Net Increase (Decrease) in Other Liabilities		(1,254,556)	10,832,655
I. Net Cash Provided From Banking Operations		**(10,915,528)**	**(7,172,386)**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / Used in Investing Activities		**4,733,678**	**4,099,874**
2.1.Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(78,799)	(68,457)
2.2.Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		53,924	61,946
2.3.Tangible Asset Purchases		(408,240)	(307,814)
2.4.Tangible Asset Sales		259,054	245,341
2.5.Cash Paid for Purchase of Financial Assets Available for Sale		(16,365,742)	(17,699,919)
2.6.Cash Obtained from Sales of Financial Assets Available for Sale		18,395,523	21,253,406
2.7.Cash Paid for Purchase of Investment Securities Held to Maturity		(14,913)	(34,227)
2.8.Cash Obtained from Sales of Investment Securities Held to Maturity		3,032,888	742,972
2.9.Other		(140,017)	(93,374)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / Used in Financing Activities		**3,471,576**	**2,540,196**
3.1.Cash Obtained from Funds Borrowed and Securities Issued		10,103,585	5,543,230
3.2.Cash Used for Repayment of Funds Borrowed and Securities Issued		(5,925,265)	(2,090,744)
3.3.Equity Instruments		-	-
3.4.Dividends Paid		(706,744)	(912,390)
3.5.Payments for Finance Leases		-	-
3.6.Other		-	100
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		**(194,415)**	**528,431**
V. Net Increase / (Decrease) in Cash and Cash Equivalents		**(2,904,689)**	**(3,885)**
VI. Cash and Cash Equivalents at Beginning of the Period		**11,487,928**	**11,491,813**
VII. Cash and Cash Equivalents at End of the Period		**8,583,239**	**11,487,928**

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VIII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE

	THOUSAND TL	
	CURRENT PERIOD (31/12/2012)	PRIOR PERIOD (31/12/2011)
I.DISTRIBUTION OF CURRENT YEAR PROFIT [1]		
1.1. CURRENT PERIOD PROFIT	4,120,953	3,298,280
1.2.TAXES AND DUES PAYABLE (-)	810,646	630,793
1.2.1.Corporate Tax (Income Tax)	1,111,381	291,692
1.2.2.Income Tax Withholding	6,136	4,371
1.2.3.Other Taxes and Dues Payable [2]	(306,871)	334,730
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	**3,310,307**	**2,667,487**
1.3.PRIOR YEARS' LOSSES (-)	-	-
1.4.FIRST LEGAL RESERVES (-)	-	129,068
1.5. OTHER STATUTORY RESERVES (-)	-	1,818,976
B. NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5)]	**3,310,307**	**719,443**
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	-	270,000
1.6.1.To Owners of Ordinary Shares	-	269,998
1.6.2.To Owners of Preferred Shares	-	2
1.6.3.To Preferred Shares (Preemptive Rights)	-	-
1.6.4.To Profit Sharing Bonds	-	-
1.6.5.To Holders of Profit / Loss Share Certificates	-	-
1.7.DIVIDENDS TO PERSONNEL (-)	-	89,889
1.8.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	1,124
1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)	-	272,623
1.9.1.To Owners of Ordinary Shares	-	272,618
1.9.2. To Owners of Preferred Shares	-	2
1.9.3 To Preferred Shares (Preemptive Rights)	-	3
1.9.4.To Profit Sharing Bonds	-	-
1.9.5.To Holders of Profit / Loss Share Certificates	-	-
1.10.SECOND LEGAL RESERVES (-)	-	40,863
1.11.STATUTORY RESERVES (-)	-	-
1.12.EXTRAORDINARY RESERVES	-	44,944
1.13.OTHER RESERVES	-	-
1.14.SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES		
2.1.DISTRIBUTED RESERVES	-	-
2.2.SECOND LEGAL RESERVES (-)	-	-
2.3.DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1.To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Preferred Shares	-	-
2.3.3. To Preferred Shares (Preemptive Rights)	-	-
2.3.4.To Profit Sharing Bonds	-	-
2.3.5.To Holders of Profit / Loss Share Certificates	-	-
2.4.DIVIDENDS TO PERSONNEL (-)	-	-
2.5.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1. TO OWNERS OF ORDINARY SHARES [3]	0.0294	0.0237
3.2. TO OWNERS OF ORDINARY SHARES (%)	74	59
3.3. TO OWNERS OF PREFERRED SHARES [3]	-	-
3.4. TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES [3]	-	0.0048
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	12
4.3. TO OWNERS OF PREFERRED SHARES [3]	-	0.0014
4.4. TO OWNERS OF PREFERRED SHARES (%)	-	14

(1) The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.
(2) The amount included in Other Taxes and Dues Payable refers to Deferred Tax Income this year and Deferred Tax Expense previous year.
(3) Expressed in full TL

SECTION THREE: EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

1. Basis of Presentation

The consolidated financial statements and related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), "Regulation on Accounting Applications for Banks and Safeguarding of Documents and other communiqués and interpretations of Banking Regulatory and Supervisory Agency ("BRSA") on accounting and financial reporting.

Accounting policies and measurement principles used in the preparation of the consolidated financial statements are presented in detail below:

2. Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

II. Strategy for Use of Financial Instruments and on Foreign Currency Transactions

1. The Group's Strategy on Financial Instruments

The Group's main financial activities comprise a wide range of activities such as banking, insurance and reinsurance services, brokerage services, real estate portfolio management, financial lease, factoring services, portfolio management. The liabilities on the Group's balance sheet are mainly composed of relatively short-term deposits, parallel to general liability structure of the banking system, which is its main field of activity. As for the non-deposit liabilities, funds are collected through medium and short-term instruments. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Parent Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey (CBT). The liquidity of the Group and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the developments in the sector fixed and floating rate placements are made according to the yields of alternative investment instruments.

By taking into account the global and national economic outlook, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity, credit and currency risks, the Group's placements are focused on high yielding and low risk assets and safety principle has always been the top priority. Generally a pricing policy aiming at high return is implemented in the long-term placements of the Group, and attention is paid to the maximum use of non-interest income generation opportunities.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Parent Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Parent Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Parent Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits specified by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

2. Foreign Currency Transactions

The financial statements of the Parent Bank's branches and financial institutions that have been established abroad are prepared in functional currency prevailing in the economic environment that they operate in; and when they are consolidated, they are presented in TL, which is the functional currency of the Parent Bank and also the currency used in presentation of the financial statements.

Foreign currency monetary assets and liabilities on the balance sheet are converted into Turkish Lira by using the prevailing exchange rates at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into Turkish Lira by the rates at the date of which the fair value is determined. Exchange rate differences arising from the conversions of monetary foreign currency items and the collections of and payments in foreign currency transactions are reflected to the income statement. In accordance with TAS 21 "Effects of Changes In Foreign Exchange Rates", net investments in non-domestic companies are considered as non-monetary items, measured on the basis of historical cost and converted into Turkish Currency at the currency rates at the transaction date, and also in accordance with TAS 29 "Financial Reporting In Hyperinflationary Economics", the inflation adjusted value is calculated by using the inflation indices prevailing between the date of transaction and final date that the inflation adjustment is applied, 31 December 2004, and it is accounted by allocating provision amounts for any permanent impairment losses.

While the Parent Bank and Türkiye Sınai Kalkınma Bankası A.Ş., one of the consolidated subsidiaries, use their own foreign currency exchange rates for their foreign currency transactions, other institutions residing domestically use the CBT rates for their foreign currency transactions.

Assets and liabilities of the foreign branches of the Parent Bank and financial institutions that have been established abroad are converted into TL by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions. Incomes and expenses of foreign financial institutions are converted into TL at average foreign currency rates as long as there is not a significant fluctuation in currency rates during the period. The exchange rate differences arising from the conversion are recorded in the "Other Profit Reserves" account under the shareholders' equity.

III. Explanation on the Consolidated Companies

1. Basis of Consolidation:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette numbered 26340 dated 8 November 2006.

a. Basis of consolidation of subsidiaries:

A subsidiary is an entity that is controlled by the Parent.

Control is the power of the Parent Bank 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 a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent 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.

As per the "Communiqué Related to the Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette numbered 26340 dated 8 November 2006, as at the current period, the Parent Bank has no subsidiaries, qualified as credit institutions or financial institutions, excluded from consolidation. Detailed information about the consolidated subsidiaries is given in Section Five, Note I.h.3.

Under full consolidation method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent 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 Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Non-controlling 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. Non-controlling interests are presented separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements. Within this framework, there is no item where a different accounting policy is applied.

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

TFRS 3 "Business Combinations" standard prescribes no depreciation to be recognized for goodwill arising on the acquisitions on or after 31 March 2004, realizing positive goodwill as an asset and application of impairment analysis as of balance sheet dates. In the same standard, it is also required from that date onwards that the negative goodwill, which occurs in the case of the Group's interest in the fair value of acquired identifiable assets and liabilities exceeds the acquisition cost to be recognized in profit or loss.

Details of positive goodwill arising from Group's investments to its subsidiaries in investment basis are as follows:

Name of the Investment	Amount of the Positive Consolidation Goodwill
İş Finansal Kiralama A.Ş.	611
Türkiye Sınai Kalkınma Bankası A.Ş.	4,792
Anadolu Anonim Türk Sigorta Şirketi	1,767
CJSC İşbank	28,804
Total	**35,974**

b. Basis of consolidation of associates:

An associate is a domestic or foreign entity which the Parent Bank participates in its capital and over which it has a significant influence but no control.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds qualified shares in the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude the Parent Bank from having significant influence.

Qualified share is the share that directly or indirectly constitutes ten or more than ten percent of an entity's capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.

Equity accounting method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted in the Parent Bank's balance sheet. The difference is recognized in profit or loss in the consolidated income statement.

Accounting policies of Arap-Türk Bankası A.Ş., the only associate that is included in the consolidated financial statements by using the equity accounting method are not different than the Parent Bank's. Thus, no adjustments of compliance have been applied.

Special purpose entities established for the Bank's securitization loan transactions are included in the financial statements in accordance with the Interpretation No 12 of Turkish Accounting Standards "Consolidation – Special Purpose Entities".

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures to be consolidated.

d. Principles applied during share transfer, merger and acquisition: None.

2. Presentation of unconsolidated subsidiaries, associates and equity securities included in the available-for-sale portfolio in consolidated financial statements:

Equity securities recognized as subsidiaries, associates and financial assets available for sale are accounted in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" in the consolidated financial statements. Subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Subsidiaries and associates whose shares are not traded in an active market (stock market), are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, impairment losses, if any.

IV. Forward, Options and Other Derivative Transactions

Derivative transactions of the Group consist of foreign currency and interest rate swaps, forwards, foreign currency options and interest rate options. The Group has no derivative instruments decomposed from the main contract.

Derivative transactions are carried at their fair values at the contract dates and the receivables and payables arising in these transactions are followed under off-balance sheet accounts. Derivative transactions are valued at their fair values in the reporting periods following their recording and the valuation differences are shown under the accounts, "Derivative Financial Assets Held for Trading" and "Derivative Financial Liabilities Held for Trading", depending on the difference being positive or negative. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading. The valuation differences arising from the valuation of derivative transactions are associated with the income statement.

On off-balance sheet items table, options which generated assets for the Parent Bank are presented under "call options" line and which generated liabilities are presented under "put options" line.

V. Interest Income and Expenses

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals 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 related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

VI. Fee and Commission Income and Expenses

Fees and commission income and expenses are recorded either on accrual basis or by using the effective interest method. Income earned in return for services rendered contractually or due to operations like sale or purchase of assets on behalf of a third party real person or corporate body are recognized in income accounts in the period of collection.

VII. Financial Assets

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

1. Cash and Banks

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

2. Marketable Securities

a. Financial Assets at Fair Value through Profit And Loss

a.1. 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 which 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. In frame of legal regulations, any positive difference between the historical cost and amortized cost of financial assets are 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, 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.

a.2. Financial Assets at Fair Value through Profit and Loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

b. Financial Assets Available for Sale and Held to Maturity Investments

b.1. Financial Assets Available for Sale

Financial assets available for sale represent 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 on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, 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, they are recognized 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.

b.2. Held to Maturity Investments

Held to maturity investments are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which 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, if any. Interest income from held to maturity investments are recognized in the income statement as an interest income.

There are no financial assets that are classified by the Group as held to maturity investments; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

3. Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition.

Retail and commercial loans that are followed under cash loans are accounted at original maturities, based on their contents.

Foreign currency indexed consumer and corporate loans are followed at TL accounts after converting into TL by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

VIII. Impairment of Financial Assets

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

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

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

When a decline occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Loans are classified and followed in line with the provisions of the "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", published on the Official Gazette numbered 26333 dated 1 November 2006. While the Parent Bank was allocating specific provision for the total amount of non-performing loans and other receivables, considering an account the minimum reserve ratios to calculate the provision has been amended accordingly, since the third quarter of the current year; the Parent Bank has started to allocate specific provisions in accordance with the minimum provision rates mentioned. Between the activities of the Group for the financial leasing and factoring operations for the receivables in the "Financial Leasing, Factoring and Financing Companies Communiqué on Principles and Procedures for the Provision for Receivables" under the special provision is made and published on the Official Gazette numbered 26558 dated 20 July 2007. Specific provisions are reflected in the income statement. Provisions released in the same year, "Provision Expense" account are credited in the past years, the remaining part of the provisions in the "Other Operating Income" account transferred to and recognized.

Other than specific allowances, the Parent Bank and the financial institutions affiliated to the Group also provide "general allowances" for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables.

IX. Offsetting Financial Instruments

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

X. Sale and Repurchase Agreements and Securities Lending Transactions

Marketable securities subject to repurchase agreements are classified under "Available for Sale Financial Assets" or "Held to Maturity Investments" in the Parent Bank's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds from Repurchase Transactions" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Reverse Repurchase Transactions" account. For the difference between the purchase and resale prices determined by the reverse Repurchase agreements for the period; income accrual is calculated using the internal rate of return method.

XI. Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell and presented in the financial statements separately. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. Goodwill and Other Intangible Assets

The Group's intangible assets consist of consolidation goodwill, software programs and rights.

Goodwill arising from the acquisition of a subsidiary or joint venture represents the excess of cost of acquisition over the fair value of Group's share of the identifiable assets, liabilities, or contingent liabilities of the acquired subsidiary or joint venture at the date of acquisition of the control. Goodwill is recognized as an asset at cost and then carried at cost less accumulated impairment losses. In impairment-loss test, goodwill is allocated between the Group's every cash-generating unit that is expected to benefit from the synergies of the business combination. To control whether there is an impairment loss in the cash-generating units that goodwill is allocated, impairment- loss test is applied every year or more often if there is indications of impairment loss. In the cases, recoverable amount of cash-generating unit is smaller than its book value; impairment loss is firstly used in reduction of book value of the cash-generating unit, and then the other assets proportionally. Goodwill which is allocated for the impairment losses could not be reversed. When a subsidiary or joint venture is to be sold, related goodwill amount is combined with the profit/loss relating to this disposal. Positive goodwill arising from the Group's investments in its subsidiaries is recognized in Intangible Assets. Explanations on consolidation goodwill are given in note III.1.a. in Section Three.

As for other intangible assets, the purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 "Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Such assets are amortized by the straight-line method in a period between 1-15 years considering their useful life. The amortization method and period are periodically reviewed at the end of each year.

XIII. Tangible Assets

Tangible assets purchased before 1 January 2005, are presented in the financial statements at their inflation adjusted acquisition costs as at 31 December 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 "Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Assets under construction for leasing or for administrative purposes or for other objectives, which are not presently determined, are amortized when they are ready for use.

The acquisition costs of tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized prospectively.

Assets acquired through finance lease are amortized at the estimated useful life or the leasing period, whichever is shorter.

Costs of operational lease development are amortized at equal amounts considering the period of benefit. Yet, in any case, the period of benefit cannot exceed the period of lease. In case the period of lease is indefinite or longer than 5 years, the amortization period is considered to be 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets or the inactivation of a tangible asset and the book value of the tangible asset are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages on tangible assets.

The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	4-50	2-25%
Safe Boxes	2-50	2-50%
Other Movables	1-50	2-100%
Leased Assets	4-5	20-25%

XIV. Investment Property

Investment property is kind of property which is held by the Group to earn rent. These are listed in the attached consolidated financial statements at acquisition costs less accumulated amortization and impairment provisions. The accounting policies mentioned for tangible assets are also valid for investment property.

XV. Leasing Transactions

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portion of the payables is recognized as a deferred amount of interest. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated. Within the context of the Group's general borrowing policy, financial expenses are recognized in the income statement. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

There is one company which exclusively does finance leases (İş Finansal Kiralama A.Ş.) and one bank (Türkiye Sınai Kalkınma Bankası A.Ş.) which operates finance lease activities as per provisional article No 4 of the Banking Law No 5411. Finance lease activities are operated according to the "Law on Financial Leasing, Factoring and Financing" No 6361.

In cases when the Group is the "lessor", finance lease receivables are recognized by their fair values on the first entry date and in the reporting periods after the first entry date they are carried at amortized cost by using the effective interest rate method. Interest income on finance lease is allocated to the accounting periods in order to reflect a fixed term interest from the investments that are subject to leasing.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XVI. Insurance Technical Income and Expense

In insurance companies premium income is obtained subsequent to the share of reinsurers in policy income is diminished.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

XVII. Insurance Technical Reserves

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement".

Within the framework of the current insurance regulation, reserves accounted by insurance companies for unearned premium claims, unexpired risk reserves, outstanding claims and life-mathematical reserves are presented in the consolidated financial statements.

The reserve for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the main branches specified by the Undersecretariat of Treasury. For each main branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision, is added to the unearned premium provision of that main branch.

Reserve for outstanding claim is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

Mathematical reserve is recognized on actuarial bases in order to meet the requirements of policyholders and beneficiaries for life, health and personal accident insurance contracts for a period longer than a year.

On the other hand, actuarial chain ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve for the amount of uncertain indemnity, additional reserve must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

XVIII. Provisions and Contingent Liabilities

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation.

Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date to fulfil the liability by considering the risks and uncertainties related to the liability.

In case the provision is measured by using the estimated cash flows required to fulfil the existing liability, the book value of the related liability is equal to the present value of the related cash flows.

If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

XIX. Contingent Assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Parent Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XX. Liabilities Regarding Employee Benefits

1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the Parent Bank and consolidated Group companies (excluding the subsidiaries residing outside Turkey) are obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. Within the scope of TAS 19 "Employee Benefits", the Parent 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 İsbank's non-resident subsidiaries operate do not require retirement pay provision, no provision liability has been recognized for the related companies. In addition, provision is also allocated for the unused paid vacation.

2. Retirement Benefit Obligations

İşbank Pension Fund (Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı), of which each employee of the Parent Bank is a member, has been established according to the provisional Article 20 of the Social Security Act numbered 506. As per provisional article numbered 23 of the Banking Law numbered 5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Institution Law, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 numbered 2006/11345. However, the related article of the act has been cancelled upon the President's application dated 2 November 2005, by the Supreme Court's decision dated 22 March 2007, No.E.2005/39, K.2007/33, which was published on the Official Gazette dated 31 March 2007 and numbered 26479 and the execution decision were ceased as of the issuance date of the related decision.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. the three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Cabinet decision dated. 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

The above mentioned 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, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, 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 the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash,
- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Parent Bank had an actuarial valuation made for the aforementioned pension fund as of 31 December 2012. In the financial statements for the related period provision was set aside for the amount of actuarial and technical deficit in the actuarial report dated 30 January 2013 and the amount of the related provision was kept in the financial statements for the current period. The actuarial assumptions used in the related actuarial report are given in Section Five Note II-h. Besides the Parent Bank, Milli Reasürans T.A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş. also had an actuarial report as of 31 December 2012 for the pension fund. The amount of actuarial and technical deficit in the actuarial report of Milli Reasürans T.A.Ş., which was measured and reflected to the year-end financial statements, was kept in the financial statements for the current period. As of 31 December 2012 there is not any additional operational or actuarial liability from Türkiye Sınai Kalkınma Bankası to the Group.

Up to now, there has not been any deficit in İşbank Members' Supplementary Pension Fund (Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı), which has been founded by the Parent Bank employees in accordance with the rules of the Civil Code and which provides subsequent retirement benefits; and the Parent Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of covering its total obligations, and that it shall not constitute an additional liability for the Parent Bank. The same is valid 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.

XXI. Taxation

1. Corporate Tax:

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. As per the related law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The temporary provisional tax for the end of the year 2012 will be paid in February 2013 and will be offset with the current period's corporate tax.

Tax expense is the sum of the current tax expense and deferred tax charge. Current period tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded. Current taxes are shown in the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovables are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

2. Deferred Tax:

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. General provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

Deferred tax assets and liabilities in the financial statements of banks and companies are shown by way of offsetting. In the consolidated financial statements, on the other hand, the deferred tax assets and liabilities that come from the companies as offset are separately shown in the assets and liabilities.

3. Tax Practices in the Countries that Foreign Branches Operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% corporate tax and 15% income tax. The tax bases for companies are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of the companies. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is are higher than the corporate tax payable, the difference is deducted from income tax payable.

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

England

Corporate gains are subject to 24% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the tax base of the relevant year, is higher than the amount found by dividing 1.5 million GBP, as specified in regulations, by the number of participations, in which the Bank has 75% or more share, plus one, the corporate tax payments are made as temporary tax payments in four instalments in July and October of the relevant year and in January and April of the following year. Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the afore-mentioned threshold, corporate tax is paid by the end of January of the second year following the year that the profit is made.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

The Republic of Iraq (Iraq)

Corporate gains are subject to 15% income tax in Iraq. Income tax is accrued at the end of the year and paid in the following year to the related tax administration by the end of September, at the latest.

Georgia

Corporate earnings are subject to income tax rate of 15% according to the Georgian legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the income of corporations and that are calculated in accordance with the tax laws. Income tax has to be paid until the beginning of April of the following year. In addition, in accordance with the legislation of Georgia, each year during May, July, September and December the amount of tax, that calculated according to the previous year income tax, is paid to the tax office by four equal installments of the probable income that is likely to be obtained the current year. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities.

Kosovo

Corporate earnings are subject to income tax rate of 10% according to the Kosovo legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the corporate income and that are calculated in accordance with the tax laws. Tax has to be paid in advance until April, June, October and January of the current year and the 15th day of January of the following year by four installments. Tax amount has to be finalized until the beginning of the April of the following year. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities. Two different methods is used for the calculation of the prepaid taxes. First method is based on the calculation of the estimated tax on profit and the second method is based on the basis for more than 10% of the tax on the previous year.

Germany

According to the tax regulations in Germany, corporate gains are subject to 15% corporate tax. In addition to this, a solidarity tax of 5.5% is calculated over this corporate tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to Germany regulations, to interest, commissions and other operating gains and by subtracting exemptions and deductions from these. The corporate tax payments are made as temporary tax payments in four instalments and are deducted from the corporate tax that is finalized at the end of the current year.

Russia

According to the Russian regulations, corporate gains are subject to 20% corporate tax. The corporate tax base is determined on accrual basis and it is measured by adding the non-deductible expenses to the corporate income gained during the period. Companies in Russia make an advance tax payment every month at an amount of one third of the tax liability related to the previous quarter, make quarterly tax returns and make provisional tax payment by offsetting the advance taxes paid during the period. Final taxation period for corporate tax is one year and the corporate tax is paid at the end of the following year's March by considering the provisional taxes paid during the year. The losses occurred in the previous taxation periods can be offset by the current period tax base, but provided that it is limited to the period of the last 10 years.

United Arab Emirates

The companies operating in the free zones of Dubai are not subject to tax according to the country's legislation.

4. Transfer Pricing:

Transfer pricing is regulated through Article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

XXII. Borrowings

The Parent Bank and its consolidated Group companies resort to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bills, bonds. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

XXIII. Equity Shares and Issuance of Equity Shares

Share issuance related costs is recognized as expenses.

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Parent Bank's earnings per share calculations taking place in the consolidated income statement are as follows.

	Current Period	Prior Period
Profit attributable to shareholders	3,412,022	2,271,539
Weighted average number of shares (thousands)	112,502,250	112,502,250
Earnings per share – (in full TL)	0.030328478	0.020191054

XXIV. Bank Acceptances and Bills of Guarantee

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXV. Government Incentives

None.

XXVI. Segment Reporting

Business segment is the part of an enterprise,

- which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise),
- whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment, and
- which has its separate financial information.

Information on the Group's business segmentation and related information is explained in Section Four Note XV.

XXVII. Other Disclosures

None.

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

SECTION FOUR: INFORMATION ON THE FINANCIAL POSITION OF THE GROUP

I. Explanations on Consolidated Capital Adequacy Ratio

The Group's and the Parent Bank's capital adequacy standard ratios are 16.28% and 16.33%, respectively. Consolidated and unconsolidated capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette no.28337 dated 28 June 2012, effectiveness date is 01 July 2012, and the calculations are made according to "Regulation on Equities of Banks" published in the Official Gazette numbered 26333 dated 1 November 2006.

Capital adequacy ratio is calculated from obligated required capital of the credit risk, the market risk and the operational risk. The amount subject to credit risk on balance sheet assets and non-cash loans, commitments and types of derivative financial instruments, risk classes and ratings of risk weights are evaluated by taking into account the relevant legislation.

The amount subject to credit risk for non-cash loans and commitments are considered by using the conversion rates which are defined in the 5th article of "Regulation On Measurement And Evaluation Of Capital Adequacy Of Banks" after deducting specific provision amount which is calculated from the article of "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published in the Official Gazette no.26333 dated 1 November 2006. The items, which are considered as deductions from capital amount, are not considered in the calculation of capital requirement of credit risk.

Such financial assets, liabilities and off-balance sheet transactions are classified in two separate portfolio as "trading accounts" and "banking accounts" in accordance with the legal regulations and the Parent Bank's internal risk policies. Actively traded asset on balance sheet, derivative transactions held for trading, and trading accounts comprising foreign currency positions are used in calculation of market risk according to the Standard Method by the Bank. Financial instruments and non-financial assets which are excluded from trading book and classified as banking book are subject to calculation of credit risk.

In the calculation of the Parent Bank's operational risk, "Basic Indicator Method" is used.

Information related to the Parent Bank's capital adequacy ratio:

	Risk Weights								
	Bank-Only								
	0%	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**200%**	**1250%**
Value at Credit Risk									
Risk Classes									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	45,867,079			7,904,046		231,616			
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments			29,323			34,640			
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises						228,823			
Contingent and Non-Contingent Receivables from Multilateral Development Banks									
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries			5,173,998	4,510,135		137,353	59		
Contingent and Non-Contingent Corporate Receivables						70,230,895			
Contingent and Non-Contingent Retail Receivables					35,726,534				
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages				8,941,070					
Non-performing Receivables *(1)*						426,384			
Receivables are identified as high risk by the Board							2,933,247	5,959,452	
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions						382,649			
Other Receivables	2,350,844		242			10,318,621			

(1) In accordance "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables and represents the net of value after the offsetting with the specific provisions for those.

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

Information related to consolidated capital adequacy ratio:

	Risk Weights								
	Consolidated								
	0%[2]	10%	20%	50%	75%	100%	150%	200%	1250%
Value at Credit Risk									
Risk Classes									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	55,285,552			8,275,191		231,654			
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments			29,331			34,640			
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises						264,072			
Contingent and Non-Contingent Receivables from Multilateral Development Banks									
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries			8,501,585	6,332,811		162,658	60		
Contingent and Non-Contingent Corporate Receivables						81,286,921			
Contingent and Non-Contingent Retail Receivables					36,896,074				
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages				8,941,070					
Non-performing Receivables[1]						499,704			
Receivables are identified as High Risk by the Board							3,023,614	5,967,743	
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions	66,376					4,545			
Other Receivables	2,483,433		242			9,304,695			

(1) In accordance ''Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks'', credits and other receivables which are monitoring in the non-performing loansand receivables and represents the net of value after the offsetting with the specific provisions for those.
(2) The amount includes blocked financial investments with risks on saving life policyholders and receivables from individual pension operations of Anadolu Hayat Emeklilik A.Ş. which is one of the Group companies.

Summary information about the Parent bank's capital adequacy ratio and consolidated capital adequacy ratio:

	Bank-Only	Consolidated
Capital Requirement for Credit Risk (VaCR*0.08) (CRCR)	10,945,847	11,953,017
Capital Requirement for Market Risk (CRMR)	281,182	449,795
Capital Requirement for Operational Risk (CROR)	894,118	1,021,396
Equity	24,739,690	27,325,571
Equity/((CRCR+CRMR+CROR)*12.5*100)	16.33	16.28

Information about the consolidated components of equity:

	Current Period	Prior Period[1]
CORE CAPITAL (TIER I)		
Paid-In Capital	**4,500,000**	**4,500,000**
Nominal Capital	4,500,000	4,500,000
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,615,938
Share Premium	33,940	33,937
Share Cancellation Profits		
Reserves	10,113,697	8,175,522
Inflation Adjustments to Reserves		
Profit	2,802,512	2,179,515
Current Period Profit	3,412,022	2,271,539
Prior Periods' Profit	(609,510)	(92,024)
Provision for Possible Losses (up to 25% of the Core Capital)	1,000,000	950,000
Gain on Sale of Associates, Subsidiaries and Real Estates	288,977	176,480
Primary Subordinated Debt		
Non-controlling Interest	2,675,494	2,451,829
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	125,518	121,550
Intangible Assets (-)	153,653	90,762
Deferred Tax Asset excess of 10% of the Core Capital (-)		
Limit Excesses as per Paragraph3 of the Article 56 of the Banking Law (-)		
Consolidated Surplus (Net) (-)	35,974	29,590
Total Core Capital	22,715,413	19,841,319
SUPPLEMENTARY CAPITAL (TIER II)		
General Loan Loss Provision	1,705,153	1,315,935
45% of Movables' Revaluation Reserve		
45% of Immovables' Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures) and unrecognized shares in current period	(1,179)	(1,179)
Primary Subordinated Debts Excluding the Portion included in the Core Capital		
Secondary Subordinated Debts [2]	1,838,040	75,400
45% of Marketable Securities and Investment Securities Value Increase Fund [2]	1,175,874	304,177
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments (excluding the inflation adjustments to reserves)		
Non-controlling Interest	97,994	3,667
Total Supplementary Capital	4,815,882	1,698,000

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

TIER III CAPITAL		
CAPITAL	**27,531,295**	**21,539,319**
DEDUCTIONS FROM THE CAPITAL	**205,724**	**352,225**
Investments in Unconsolidated Banks and Financial Institutions		
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated loan and debt instruments purchased from such parties qualified as primary or secondary subordinated loan		
Investments in Banks and Financial Institutions, to which Equity Method has been applied but whose Assets and Liabilities are Unconsolidated	86,722	74,405
Loan Granted to Customer Against the Articles 50 and 51 of the Banking Law	1,448	326
Net book values of immovables exceeding 50% of the capital and of assets acquired against Overdue receivables and Held for Sale as per the Article 57 Of the Banking Law but retained More Than Five Years (3)	75,643	78,285
Securitization Positions Deducted from Equity		
Others (4)	41,911	199,209
TOTAL SHAREHOLDERS' EQUITY	**27,325,571**	**21,187,094**

(1) *Prior year amounts are presented in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" dated 28 June 2012 and dated 28337; the total shareholders' equity balance has not changed.*
(2) *According to the related regulation, if the items subject to the Marketable Securities Value Increase Fund have a negative balance; total amount, and if positive 45% of the balance is taken into consideration in supplementary capital calculation.*
(3) *The figure for the related item, which was TL 66,334, has been amended as TL 78,285.*
(4) *It includes the deductions from the capital in accordance with the decision of the Banking Regulation and Supervision Agency dated 16 December 2010 and numbered 3980, published on the Official Gazette dated 18 December 2010 and numbered 27789.*

Information on the Bank's internal capital requirements within the scope of the internal capital adequacy assessment process in order to evaluate the adequacy of the approach in terms of current and future activities:

On-balance sheet and off-balance sheet financial risks and activities arising from financial assets and liabilities, against damage caused by exposure to financial risk that are necessary to determine the level of capital and the determined level, taking into consideration the specified minimum levels of statutory and internal continuity of the supply and monitoring process "Capital Adequacy Policy" implemented within the framework by the Bank.

Capital adequacy level is monitored and analyzed taking into consideration the possible changes on economic conjuncture, risk factors, balance sheet structure and size, profitability and, the dividend policy by the Bank. As for the level of capital adequacy with a view to a forward-looking analysis and projection studies have an affect the Bank's planning and decision processes.

Internal capital adequacy assessment process covers determining the risks to an internal perspective which are faced by the Bank and also covers the necessary capital amount against the risks and evaluation within the framework of the principles and methods. This process contains the assessments of capital adequacy under normal conditions and with the evaluation of working under stress conditions.

During the assessment of the Bank's internal capital adequacy; in addition to credit risk, market risk and operational risk, considered to be important by the Bank and for the other quantifiable risks, there are generally accepted methods of calculating capital requirements.

II. Explanations on Consolidated Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Group.

Banks and financial institutions affiliated to the Group, carry out their placement activities in accordance with the credit limitations stipulated by legal regulations of the countries in which they operate.

The Parent Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Parent Bank's Risk Group, including the Parent Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity calculated on a bank-only and consolidated basis.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

The Parent Bank and its financial affiliates give utmost importance to ensure that loans are furnished with collaterals. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees.

Non-performing and impaired loans has classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.2633 dated 1 November 2006. The detailed descriptions of these methods correspond with accounting practices, are included in Section Three Note VIII.

Credit risk is the risk reduction effects without taking into consideration the total amount of exposures after offsetting transactions with different risk classes according to the types and amounts of disaggregated risks are listed below the average for the period.

Exposure Categories *(1)*	**Current Period Risk Amount**	**Average Risk Amount (2)**
Conditional and unconditional exposures to central governments or central banks	63,792,397	61,992,123
Conditional and unconditional exposures to regional governments or local authorities	63,971	60,217
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	264,072	268,058
Conditional and unconditional exposures to multilateral development banks		
Conditional and unconditional exposures to international organizations		
Conditional and unconditional exposures to banks and brokerage houses	14,997,114	12,791,051
Conditional and unconditional exposures to corporates	81,286,921	81,317,366
Conditional and unconditional retail exposures	36,896,074	37,725,333
Conditional and unconditional exposures secured by real estate property	8,941,070	8,915,295
Past due items	499,704	455,347
Items in regulatory high-risk categories	8,991,357	8,480,966
Exposures in the form of bonds secured by mortgages		
Securization positions		
Short term exposures to banks, brokerage houses and corporates		
Exposures in the form of collective investment undertakings	70,921	35,461
Other items	11,788,370	11,327,985

(1)Includes total risk amounts after credit conversions.
(2)Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" (1 July 2012) to the period end.

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

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic derivatives market in this particular area, the Parent Bank uses derivative transactions either for hedging or for commercial purposes.

Derivative instruments with a remarkable volume are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Parent Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the rating system that has been developed and credit limits are assigned to the related banks and financial institutions accordingly.

6. **(i)** The share of the Group's receivables from the top 100 and 200 cash loan customers in the overall cash loan portfolio stands at 22% and 29% respectively (31 December 2011: 24%, 31%).

(ii) The share of the Group's receivables from the top 100 and 200 non-cash loan customers in the overall non-cash portfolio stands at 44% and 54% respectively (31 December 2011: 48%, 58%).

(iii) The share of the Group's cash and non-cash receivables from the top 100 and 200 credit customers in the overall assets and non-cash loans stands at 14% and 18% (31 December 2011: 15%, 20%).

Companies that are among the top loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory, and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the general provisions allocated for credit risk carried by the Group stands at TL 1,705,153.

8. The Parent Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period	Prior Period
Strong	51.46 %	40.39 %
Standard	33.83 %	49.68 %
Below Standard	5.99 %	4.82 %
Not Rated/Scored	8.72 %	5.11 %

The table data comprises the behavior rating/scoring results.

9. The net values of the collaterals of the Group's closely monitored loans are given below in terms of collateral types and risk matches.

	Current Period		Prior Period	
Type of Collateral	**Net Value of the Collateral**	**Loan Balance**	**Net Value of the Collateral**	**Loan Balance**
Real Estate Mortgage (1)	608,935	608,935	583,715	583,715
Vehicle Pledge	140,837	140,837	80,584	80,584
Cash Collateral (Cash provisions, securities pledge, etc.)	19,538	19,538	11,216	11,216
Pledge on Wages	127,790	127,790	72,823	72,823
Cheques & Notes	30,673	30,673	18,299	18,299
Other (Suretyships, commercial enterprise under pledge, commercial papers, etc.)	183,211	183,211	86,077	86,077
Interest and Income Accruals		833,603		629,600
Total	**1,110,984**	**1,944,587**	**852,714**	**1,482,314**

(1) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figure s are considered to be the net value of collaterals.

10. The net values of the collaterals of the Group's non-performing loans are given below in terms of collateral types and risk matches.

	Current Period		Prior Period	
Type of Collateral	**Net Value of the Collateral**	**Loan Balance**	**Net Value of the Collateral**	**Loan Balance**
Real Estate Mortgage (1)	444,835	444,835	471,143	471,143
Cash Collateral	36	36	551	551
Vehicle Pledge	61,440	61,440	91,382	91,382
Other (suretyships, commercial enterprise under pledge, commercial papers, etc.)	47,708	47,708	74,476	74,476

(1) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

11. The aging analysis of the loans past due but not impaired in terms of financial asset classes, is as follows:

Current Period(1)	**1-30 Days(2)**	**31-60 Days(3)**	**61-90 Days(3)**	**Total**
Loans:	866,521	178,713	87,553	1,132,787
Corporate / Commercial Loans (4)	361,218	29,669	23,771	414,658
Consumer Loans	83,474	33,801	15,509	132,784
Credit Cards	421,829	115,243	48,273	585,345
Lease Receivables (5)	11,291	3,087	2,251	16,629
Insurance Receivables	78,027	13,001	5,815	96,843
Total	**955,839**	**194,801**	**95,619**	**1,246,259**

(1) The balance of loans, which are not past due or which are classified under closely monitored although being past due for less than 31 days, stands at TL 1,201,982.
(2) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 406,160 and TL 586,342 respectively.
(3) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 218,097 and TL 258,242 respectively.
(4) The balance includes factoring receivables
(5) Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 165,972.

Prior Period*(1)*	1-30 Days*(2)*	31-60 Days*(3)*	61-90 Days*(3)*	Total
Loans	724,471	164,310	111,586	1,000,367
Corporate / Commercial Loans *(4)*	399,726	19,851	15,308	434,885
Consumer Loans	26,164	22,548	10,710	59,422
Credit Cards	298,581	121,911	85,568	506,060
Lease Receivables *(5)*	5,832	1,746	1,341	8,919
Insurance Receivables	48,140	12,625	4,095	64,860
Total	**778,443**	**178,681**	**117,022**	**1,074,146**

(1) The balance of loans, which are not past due or which are classified under closely monitored although being past due for less than 31 days, stands at TL 835,497.
(2) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 593,465 and TL 314,066 respectively.
(3) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 183,818 and TL 187,103 respectively.
(4) The balance includes factoring receivables
(5) Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 160,540.

12. Profile of Significant Risk Exposures in Major Regions:

Current Period	Domestic	European Union	OECD Countries *(1)*	Off-Shore Banking Regions	USA, Canada	Other Countries	Investments in Associates, Subsidiaries and Jointly Controlled Entities	Unallocated Assets/Liabilities *(2)*	Total
Risk Groups									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	63,535,967					256,430			**63,792,397**
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	63,971								**63,971**
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	249,256	14,803				13			**264,072**
Contingent and Non-Contingent Receivables from Multilateral Development Banks									
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries	10,049,444	3,497,232	227,535	23,075	772,653	427,175			**14,997,114**
Contingent and Non-Contingent Corporate Receivables	79,108,795	859,559	5,635	219,339	7,356	1,086,237			**81,286,921**
Contingent and Non-Contingent Retail Receivables	36,115,196	434,253	7,218	358	523	338,526			**36,896,074**
Contingent and Non-Contingent Receivables Secured by Residential Property	8,902,363	10,350	114		379	27,864			**8,941,070**
Non-Performing Receivables	499,704								**499,704**
Receivables are identified as high risk by the Board	8,802,700	307	47			105,484	82,819		**8,991,357**
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions	66,376	4,545							**70,921**
Other Receivables	7,472,503	252					4,315,615		**11,788,370**
Total	**214,866,275**	**4,821,301**	**240,549**	**242,772**	**780,911**	**2,241,729**	**4,398,434**		**227,591,971**

(1) *EU Countries, USA and Canada except the OECD Countries*
(2) *Assets and liabilities are allocated on a consistent basis*

TÜRKİYE İŞ BANKASI AŞ
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FOR THE YEAR ENDED 31 DECEMBER 2012
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13. Risk Profile by Sectors or Counterparties:

Current Period – Consolidated

Sectors/Counterparty	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	TL	FC	Total
Agriculture		120	141				463,968	958,976	58,202	6,992	41,840						1,379,240	150,999	**1,530,239**
Farming and Stockbreeding		120	141				312,935	776,413	51,544	4,779	39,035						1,136,310	48,657	**1,184,967**
Forestry							66,043	144,554	4,159	1,605	1,568						186,259	31,670	**217,929**
Fishing							84,990	38,009	2,499	608	1,237						56,671	70,672	**127,343**
Industry		22	10,108				37,043,164	4,539,657	247,745	66,031	54,604					3,913	14,644,979	27,320,265	**41,965,244**
Mining							968,349	219,123	6,750	7,946	2,142					20	495,752	708,578	**1,204,330**
Production			10,100				26,099,272	4,221,729	233,649	57,707	50,071					2,601	13,058,388	17,616,741	**30,675,129**
Electricity, gas, and water		22	8				9,975,543	98,805	7,346	378	2,391					1,292	1,090,839	8,994,946	**10,085,785**
Construction							6,889,750	2,153,302	105,110	53,049	21,903						5,395,531	3,827,583	**9,223,114**
Services	195,808	823	233,068			14,997,114	32,274,066	12,941,121	1,903,456	107,730	702,306					4,433,408	41,187,686	26,601,214	**67,788,900**
Wholesale and Retail Trade		10	93,677				13,005,286	7,501,168	456,390	72,750	107,841					1,903	15,646,612	5,592,413	**21,239,025**
Hotel, Food and Beverage Services			65				2,563,408	516,689	73,823	4,929	24,158						942,306	2,240,766	**3,183,072**
Transportation and Telecommunication			2,291				6,787,717	2,471,371	164,381	14,428	78,450					11,289	3,767,499	5,762,428	**9,529,927**
Financial Institutions	195,796		7,115			14,997,114	1,738,698	340,879	20,274	467	90,939					4,412,936	15,325,029	6,479,189	**21,804,218**
Real Estate and Renting Services			27,164				5,270,554	758,071	134,305	5,062	41,857					7,268	1,627,335	4,616,946	**6,244,281**
Self-Employment Services		811	67,663				1,949,429	864,245	921,153	6,044	321,019					12	2,794,585	1,335,791	**4,130,376**
Education Services	4		24,221				329,307	122,352	41,770	2,255	14,552						326,496	207,965	**534,461**
Health and Social Services	8	2	10,872				629,667	366,346	91,360	1,795	23,490						757,824	365,716	**1,123,540**
Other	63,596,589	63,006	20,755				4,615,973	16,303,018	6,626,557	265,902	8,170,704				70,921	7,351,049	96,455,772	10,628,702	**107,084,474**
Total	**63,792,397**	**63,971**	**264,072**	**-**	**-**	**14,997,114**	**81,286,921**	**36,896,074**	**8,941,070**	**499,704**	**8,991,357**	**-**	**-**	**-**	**70,921**	**11,788,370**	**159,063,208**	**68,528,763**	**227,591,971**

(1) Contingent and non-contingent exposures to central governments or central banks (2) Contingent and non-contingent exposures to regional governments or local authorities (3) Contingent and non-contingent exposures to administrative bodies and non-commercial undertakings
(4) Contingent and non-contingent exposures to multilateral development banks (5) Contingent and non-contingent exposures to international organizations (6) Contingent and non-contingent exposures to banks and brokerage houses (7) Contingent and non-contingent corporate receivables
(8) Contingent and non-contingent retail receivables (9) Contingent and non-contingent exposures secured by real estate property (10) Past due items (11) Items in regulatory high-risk categories (12) Exposures in the form of bonds secured by mortgages (13) Securitization positions
(14) Short term exposures to banks, brokerage houses and corporate (15) Exposures in the form of collective investment undertakings (16) Other items

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

14. Analysis of Maturity-Bearing Exposures According to Remaining Maturities:

Risk Groups	Current Period					
	Remaining Maturities					
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Total
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	1,896,251	461,707	2,853,340	5,269,453	33,555,982	**44,036,733**
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments	2,854	7,839	5,037	12,793	34,941	**63,464**
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	2,749	11,722	14,923	118,829	86,181	**234,404**
Contingent and Non-Contingent Receivables from Banks and Intermediaries	6,289,853	937,750	801,576	1,331,860	3,002,051	**12,363,090**
Contingent and Non-Contingent Corporate Receivables	5,913,621	5,544,213	6,883,962	9,570,982	43,425,680	**71,338,458**
Contingent and Non-Contingent Retail Receivables	6,744,642	3,384,283	3,845,301	4,166,052	7,893,624	**26,033,902**
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages	230,271	306,240	442,522	880,046	7,081,991	**8,941,070**
Receivables are identified as High Risk by the Board	267,611	431,405	641,284	2,098,711	5,453,688	**8,892,699**
Total	**21,347,852**	**11,085,159**	**15,487,945**	**23,448,726**	**100,534,138**	**171,903,820**

15. Information on Risk Classes:

In the calculation of the amount subject to credit risk, determining the risk weights related to risk classes stated on the sixth article of "Regulation on Measurement and Evaluation of Capital Adequacy Of Banks", is based on the Fitch Ratings' international rating with the Banking Regulation and Supervision Board's decision numbered 4577 dated 10 February 2012. While receivables from resident banks in abroad which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Banks and Brokerage Agencies" and receivables from central governments which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Central Governments or Central Banks" will be subjected to risk weights with the scope of ratings; therefore domestic resident banks accepted as unrated, the risk weight is applied according to receivables from relevant banks , type of exchange and remaining maturity.

If a receivable-specific rating is performed, risk weights to be applied on the receivable are determined by the relevant credit rating.

The table related to mapping the ratings used in the calculations and credit quality grades, which is stated in the Annex of Regulation on Measurement and Assessment of Capital Adequacy of Banks, is given below:

Credit Quality Grades	1	2	3	4	5	6
Risk Rating	AAA via AA-	A+ via A-	BBB+ via BBB-	BB+ via BB-	B+ via B-	CCC+ and lower

There is no credit rating and credit export agency has been assigned for the items that are not included to trading accounts.

Risk Amounts according to Risk Weights

Risk Weight	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Mitigation in Shareholders' Equity
Amount Before Credit Risk Mitigation	57,835,361		8,531,159	23,549,072	36,896,074	91,788,889	3,023,674	5,967,743		520,869
Amount After Credit Risk Mitigation *(1)*	57,835,361		8,531,159	23,549,072	36,896,074	91,788,889	3,023,674	5,967,743		520,869

(1) The effect of credit risk mitigation techniques for the determination of the capital adequacy ratio is excluded.

16. Miscellaneous Information According to Type of Counterparty of Major Sectors

Significant Sectors/Counterparty *(1)*	Loans			
	Impaired	Non-performing *(2)*	Value Adjustments *(3)*	Provisions *(4)*
Agricultural	65,228	13,682	467	54,524
Farming and Raising Livestock	55,781	12,162	359	47,339
Forestry	6,717	865	66	5,063
Fishing	2,730	655	42	2,122
Industry	445,472	139,459	6,574	355,658
Mining	23,952	5,896	201	14,199
Production	417,805	131,137	6,295	338,345
Electricity, gas, and water	3,715	2,426	78	3,114
Construction	341,862	58,274	2,216	280,440
Services	643,314	227,233	12,869	495,886
Wholesale and Retail Trade	398,820	163,496	7,024	305,566
Hotel, Food and Beverage Services	33,093	11,411	947	27,048
Transportation and Telecommunication	85,291	21,615	2,344	57,429
Financial Institutions	33,765	406	62	32,722
Real Estate and Renting Services	31,399	8,213	648	26,206
Self-Employment Services	33,719	10,161	696	25,128
Education Services	4,986	1,690	108	2,731
Health and Social Services	22,241	10,241	1,040	19,056
Other	773,298	710,768	45,282	537,138
Total	**2,269,174**	**1,149,416**	**67,408**	**1,723,646**

(1) Amount includes finance lease and factoring receivables.
(2) Refers to loans overdue up to 90 days. Related items included in the commercial installment loans and installment consumer loans are given only in the overdue amounts, the payment of these loans outstanding principal amounts of TL 624,257 and TL 844,584 respectively.
(3) Refers to the general provisions for non-performing loans..
(4) Refers to specific provision for impaired loans.

17. Information on Value Adjustments and Change in Credit Provisions

	Beginning Balance	Provisions	Reversal of Provisions	Other Value Adjustments *(1)*	Ending Balance
Specific Provisions	2,109,419	612,325	(1,066,350)	(616)	1,654,778
General Provisions	1,315,935	394,723	(5,483)	(22)	1,705,153

(1) Stating foreign exchange gains and losses.

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

III. Explanations on Consolidated Market Risk:

1. Explanations on Consolidated Market Risk:

The market risk carried by the Group is measured by two separate methods known respectively as the Standard Method and the Value at Risk (VAR) Method in accordance with the local regulations adopted from internationally accepted practices. In this context, interest rate risk emerges as the most important component of the market risk.

The consolidated market risk measurements are carried out on a quarterly basis, using the Standard Method. The results are accounted in the legal reporting and evaluated with the top management.

The VAR Method is another alternative for the Standard Method in measuring and monitoring market risk carried by the Parent Bank. This model is used to measure the market risk on a daily basis in terms of interest rate risk, currency risk and equity share risk and is a part of the Parent Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR method used to measure the losses that may occur in the ordinary market conditions are practiced, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Parent Bank's portfolio are determined and the results are reported to the Top Executive Management. Financial participations also make VAR calculations within the frame determined by the Parent Bank, and the results are reported to the Parent Bank's top management.

The limits set for the market risk management within the framework of the Parent Bank's asset liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out within the context of "Standard Method for Market Risk Measurement" and in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" as of 31 December 2012.

1.a. Information on the market risk:

	Amount
(I) Capital Obligation against for General Market Risk – Standard Method	40,973
(II) Capital Obligation against for Specific Risk – Standard Method	94,834
Capital Obligation for Specific Risk Related to Securitization Positions-Standard Method	
(III) Capital Obligation against for Currency Risk – Standard Method	261,490
(IV) Capital Obligation against for Stocks Risk – Standard Method	5,909
(V) Capital Obligation against for Exchange Risk – Standard Method	
(VI) Capital Obligation against for Market Risk of Options – Standard Method	12,632
(VII) Capital Obligation against for Counterparty Credit Risk-Standard Method	33,957
(VIII) Capital Obligation against for Market Risks of Banks Applying Risk Measurement Models	
(IX) Total Capital Obligation against for Market Risk (I+II+III+IV+V+VI+VII)	449,795
(X) Value at Market Risk (12.5 x VIII) or (12.5 x IX)	5,622,438

1.b. Table of the average market risk related to the market risk calculated quarterly during the period:

	Current Period (1)		
	Average	Highest	Lowest
Interest Rate Risk	43,241	46,399	40,082
Share Certificate Risk	85,676	75,626	95,725
Currency Risk	262,126	262,762	261,490
Commodity Risk	10,966	16,022	5,909
Settlement Risk	147	294	0
Options Risk	10,705	8,778	12,632
Counterparty Credit Risk	58,066	82,174	33,957
Total Value at Risk	**5,886,588**	**6,150,688**	**5,622,438**

(1) As per the legislation on capital adequacy effective from 1 July 2012, due to the calculation of Value At Market Risk methodology, the table is regulated for considering the period after the date of the above-mentioned.

2. Information on counterparty credit risk:

A counterparty credit risk, which is accounts for trading derivatives and repo transactions tracked on both sides, such as the credit risk the liability arising from transactions, is determined by the methodology which is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" which is published on the Official Gazette no.28337 dated 28 June 2012 and became effective starting from 1 June 2007. Counterparty credit risk valuation method based on the calculation of the fair value of the derivative transactions is implemented. The calculation of the amount of risk on derivative transactions, the potential amount of credit risk is positively correlated with the sum of the costs of renewal. The calculation of the amount of the potential credit risk of the contract amount is multiplied by the rates given in the regulation. Derivative instruments valuation based on replacement costs and the fair value of the related contracts are obtained.

The Bank is exposed to counterparty credit risk is managed within the framework of general principles and guarantees the credit limit allocation. Exposure to credit risk of derivative transactions with banks due to the majority of reciprocal agreements signed with related parties are subject to the daily exchange of collateral, counterparty credit risk exposure is reduced in this way. On the other hand, the calculation of capital adequacy under the legislation of counterparty credit risk, the risk-reducing effect of such agreements is not considered.

Within the scope of trading accounts with credit derivatives acquired or disposed of by the Bank does not have any protection.

Quantitative information on counterparty risk:

	Amount
Interest-Rate Contracts	40,622
Foreign-Exchange-Rate Contracts	226,121
Commodity Contracts	40,487
Equity-Shares Related Contracts	2,378
Other	
Gross Positive Fair Values	359,755
Netting Benefits	
Net Current Exposure Amount	
Collaterals Received	
Net Derivative Position	669,363

IV. Explanations on Operational Risk

Operational risk is defined in general as "the risk of loss that may be arising from inadequate or ineffective internal processes, people, systems or other external factors".

The classification of operational risks that might be encountered by the Parent Bank during the activities is followed by preparing the "Risk Catalog of the Bank". This Risk Catalogue is the basis to be used in the definition and classification of all risks that may be exposed to and is updated parallel to the changing conditions.

The principles on specifying, defining, evaluating, measuring, monitoring, controlling and reporting the operational risk and the responsibilities regarding operational risk management are stated in the "Operational Risk Policy".

In the assessment of operational risk, "Self-Assessment Methodology" is applied. This method requires identifying the risks through the participation of the personnel who is responsible for undertaking the operation. Both qualitative and quantitative methods are used in the measurement and evaluation of operational risk. Information derived from the "Impact-Likelihood Analysis" and "Lost Case Data Analysis" is used in the measurements.

All the operational risks that are carried during the operations, the risk levels of the operations and/or new products/services, together with the losses of the Parent Bank arising from operational risks are regularly monitored by the Bank's Risk Management Division, and if deemed necessary, the risk levels are updated and periodically reported to the Risk Committee and the Board of Directors.

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

The operational risk, to which the Group is exposed, is measured using the Basic Indicator Approach in which the average of 15% of the year-end gross income of the last three years is multiplied by 12.5, in line with the domestic regulations. The operational risk amount used for the current period is TL 12,767,447 (31 December 2011: TL 12,726,641).

The information contained in the following table when using the basic indicator method:

	2PP Amount	1PP Amount	CP Amount	Total/Positive Years of Gross Income Amount	Rate (%)	Total
Gross Income	7,144,023	6,316,693	6,967,199	3	15	1,021,396
Value at operational risk (Total*12.5)						12,767,447

V. Explanations on Consolidated Currency Risk

Foreign currency position risk for the Group is a result of the difference between the Group's assets denominated in and indexed to foreign currencies and liabilities denominated in foreign currencies. Furthermore, parity fluctuations of different foreign currencies are another element of the currency risk.

The currency risk for the Parent Bank is managed by the internal currency risk limits which are established as a part of the Parent Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks, within framework of the determined by the "Net Foreign Currency Overall Position/ Shareholders' Equity" ratio, which is a part of the legal requirement and the internal currency risk limits specified by the Board of Directors. Foreign exchange risk management decisions are strictly applied.

In measuring currency risk, which the Group is exposed to, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made for the Parent Bank within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging currency risk.

Risk measurements made within the context of the VAR are made on a daily basis using the historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on currency risk are reported to the Key Management and the risks are closely monitored by taking into account the market and the economic conditions.

The Parent Bank's foreign currency purchase rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

Date	USD	EUR
31. 12. 2012	1.7850	2.3526
28. 12. 2012	1.7850	2.3562
27. 12. 2012	1.7900	2.3685
26. 12. 2012	1.7900	2.3703
25. 12. 2012	1.7900	2.3607
24. 12. 2012	1.7900	2.3628

The Parent Bank's last 30-days arithmetical average foreign currency purchase rates:

USD: TL 1.7757 **EUR:** TL 2.3280

Sensitivity to currency risk:

The Group's sensitivity to any potential change in foreign currency rates has been analyzed. Within this framework, 10% change is anticipated in USD, EUR and GBP currencies and the possible impact of the related change is presented below. 10% is the ratio that is used in the internal reporting of the Parent Bank.

	% Change in Foreign Currency	Effects on Profit/Loss (1)	
		Current Period	Prior Period
USD	10% increase	228,999	236,031
	10% decrease	(228,999)	(236,031)
EUR	10% increase	(202,894)	(92,892)
	10% decrease	202,894	92,892
GBP	10% increase	76,740	105,295
	10% decrease	(76,740)	(105,295)

(1) Indicates the values before tax.

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

Information on currency risk:

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	4,871,229	5,700,904	2,919,121	13,491,254
Banks	473,931	572,237	662,822	1,708,990
Financial Assets at Fair Value through Profit/Loss (1)	163,238	311,574		474,812
Money Market Placements				
Financial Assets Available for Sale	624,597	6,642,129	89,963	7,356,689
Loans (2)	15,776,216	30,013,270	1,003,499	46,792,985
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	215			215
Held to Maturity Investments	1,947	1,524	4,970	8,441
Derivative Financial Assets Held for Risk Management				
Tangible Assets (1)	39,564	208	40,256	80,028
Intangible Assets (1)				
Other Assets (1)	720,646	1,358,780	96,451	2,175,877
Total Assets	**22,671,583**	**44,600,626**	**4,817,082**	**72,089,291**
Liabilities				
Bank Deposits	1,083,758	776,707	368,663	2,229,128
Foreign Currency Deposits (3)	15,601,337	20,272,409	4,333,313	40,207,059
Money Market Funds	233,642	3,123,533	8	3,357,183
Funds Provided from Other Financial Inst.	7,696,816	9,618,234	512	17,315,562
Marketable Securities Issued (4)		3,602,440		3,602,440
Miscellaneous Payables	338,395	238,251	17,421	594,067
Derivative Financial Liabilities Held for Risk Management				
Other Liabilities (1) (5)	1,515,598	2,071,431	97,677	3,684,706
Total Liabilities	**26,469,546**	**39,703,005**	**4,817,594**	**70,990,145**
Net On Balance Sheet Position	**(3,797,963)**	**4,897,621**	**(512)**	**1,099,146**
Net Off Balance Sheet Position	**1,930,232**	**(2,942,156)**	**611,363**	**(400,561)**
Derivative Financial Assets (6)	5,798,988	7,213,488	2,593,562	15,606,038
Derivative Financial Liabilities (6)	3,868,756	10,155,644	1,982,199	16,006,599
Non-Cash Loans	5,482,923	11,003,204	702,973	17,189,100
Prior Period				
Total Assets	25,235,119	42,558,036	3,072,936	70,866,091
Total Liabilities	24,883,771	38,424,151	4,373,616	67,681,538
Net Balance Sheet Position	**351,348**	**4,133,885**	**(1,300,680)**	**3,184,553**
Net Off Balance Sheet Position	**(1,379,556)**	**(2,501,096)**	**1,939,102**	**(1,941,550)**
Derivative Financial Assets	3,938,413	7,695,358	2,988,338	14,622,109
Derivative Financial Liabilities	5,317,969	10,196,454	1,049,236	16,563,659
Non-Cash Loans	4,799,303	11,462,515	710,409	16,972,227

(1) *In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Derivative Financial Instruments Foreign Currency Income Accruals (TL 59,625), Operating Lease Development Costs (TL 3,210), Prepaid Expenses and Taxes (TL 33,455), Intangible Assets (TL 1,791) in assets and General Reserves (TL 7,762), Derivative Financial Instruments Foreign Currency Expense Accruals (TL 114,815) and Shareholders' Equity (TL 599,621) in liabilities are not taken into consideration in the currency risk measurement.*

(2) *Includes foreign currency indexed loans, which are followed under TL account. Of the total amount of TL 4,648,271 of the aforementioned loans; TL 2,371,738 is USD indexed, TL 2,224,373 is EUR indexed, TL 9,766 is CHF indexed, TL 1,171 is GBP indexed, TL 41,212 is JPY indexed and TL 11 is CAD indexed. The balances include factoring receivables.*

(3) *The item includes TL 2,878,807 precious metals deposit accounts.*

(4) *Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.*

(5) *The borrower funds are presented in the "Other Liabilities" according to their type of currency.*

(6) *The derivative transactions are taken into consideration within the context of the forward foreign currency trading definitions in the above mentioned Regulation*

VI. Explanations on Consolidated Interest Rate Risk

"Interest Rate Risk" is defined as the decrease that can arise in the value of the interest sensitive assets, liabilities and off-balance sheet operations a result of interest rate fluctuations. The method of average maturity gap according to the repricing dates is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Parent Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly followed in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Parent Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits above the average maturity gaps according to the repricing periods determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the historical data and expectations are also used in the management of the related risk.

Interest rate sensitivity:

In this part, the sensitivity of the Bank's assets and liabilities to the interest rates has been analyzed assuming that the yearend balance figures were the same throughout the year. Mentioned analysis shows how the FC and TL changes in interest rates by one point during the one-year period affect the Group's income accounts and shareholders' equity under the assumption maturity structure and balances are remain the same all year round at the end of the year.

During the measurement of the Bank's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between the expectancy value of the portfolio after one year in case there is no change in interest rates and the value of the portfolio one year later, which is measured after the interest shock, the interest income to be additionally earned/to be deprived of during the one year period due to the renewal or reprising of the related portfolio at the interest rates formed after the interest shock.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Bank's profit and shareholders' equity in case of 1 point increase/decrease in TL and FC interest rates on the reporting day are given below.

% Change in the Interest Rate *(1)*		**Effect On Profit/Loss** *(2)*		**Effect on Equity** *(3)*	
TL	FC *(4)*	Current Period	Prior Period	Current Period	Prior Period
1 point increase	1 point increase	(42,333)	(8,704)	(613,617)	(432,635)
1 point decrease	1 point decrease	64,876	54,620	672,686	468,226

(1) The effects on the profit/loss and shareholders' equity are stated with their before tax values.
(2) The effect on the profit/loss is mainly arising from the fact that the average maturity of the Bank's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.
(3) The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets Available for Sale.
(4) Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.

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

a. Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates)**:**

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						16,111,127	16,111,127
Banks	3,006,260	682,860	80,505			782,268	4,551,893
Financial Assets at Fair Value through Profit/Loss	368,828	745,742	538,110	137,716	70,456	341,789	2,202,641
Money Market Placements	81,675						81,675
Financial Assets Available for Sale	9,323,834	3,159,679	8,071,869	5,832,841	5,528,868	256,734	32,173,825
Loans [(1)]	33,584,462	14,239,146	26,859,888	33,953,698	7,577,925	18,304	116,233,423
Held to Maturity Investments	676,402	3,290,560	5,084,488	1,997,329			11,048,779
Other Assets	924,355	71,338	298,889	820,505	94,874	16,461,415	18,671,376
Total Assets	**47,965,816**	**22,189,325**	**40,933,749**	**42,742,089**	**13,272,123**	**33,971,637**	**201,074,739**
Liabilities							
Bank Deposits	2,308,441	404,997	258,284	11,863		228,227	3,211,812
Other Deposits	54,553,321	20,184,263	6,344,956	583,630	26,620	21,106,258	102,799,048
Money Market Funds	15,725,235	584,075	721,521				17,030,831
Miscellaneous Payables	230,187	1,967	258	3,557		8,948,509	9,184,478
Marketable Securities Issued[(2)]	977,611	1,789,232	1,838,522	1,890,449	1,785,000		8,280,814
Funds Provided from Other Financial Institutions	8,910,894	5,247,654	3,743,469	289,720	970,175		19,161,912
Other Liabilities [(3)(4)]	266,570	773,842	2,284,506	54,104	9,563	38,017,259	41,405,844
Total Liabilities	**82,972,259**	**28,986,030**	**15,191,516**	**2,833,323**	**2,791,358**	**68,300,253**	**201,074,739**
Balance Sheet Long Position			25,742,233	39,908,766	10,480,765		76,131,764
Balance Sheet Short Position	(35,006,443)	(6,796,705)				(34,328,616)	(76,131,764)
Off Balance Sheet Long Position	2,332,732	4,365,149					6,697,881
Off Balance Sheet Short Position			(3,128,493)	(2,860,887)	(391,330)		(6,380,710)
Total Position	**(32,673,711)**	**(2,431,556)**	**22,613,740**	**37,047,879**	**10,089,435**	**-34,328,616**	**317,171**

(1) The balance includes factoring receivables.
(2) Secondary subordinated issued bonds having credit quality, which is classified on the balance sheet under the subordinated loans are also included.
(3) Equity is included in "non-interest bearing" column.
(4) The borrower funds are presented in "Up to 1 month" column in other liabilities.

Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods)**:**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						13,886,577	13,886,577
Banks	3,540,575	396,686	177,969			632,676	4,747,906
Financial Assets at Fair Value through Profit/Loss	360,682	632,102	612,954	466,464	18,691	327,228	2,418,121
Money Market Placements	168,514	3,099					171,613
Financial Assets Available for Sale	8,318,479	4,353,562	7,185,650	7,992,592	5,526,846	179,937	33,557,066
Loans [(1)]	29,213,471	12,910,751	22,689,655	28,343,345	6,268,035	7,518	99,432,775
Investments Held to Maturity	165,778	5,219,581	5,663,780	2,658,293			13,707,432
Other Assets	680,281	80,184	276,417	819,772	124,799	14,032,887	16,014,340
Total Assets	**42,447,780**	**23,595,965**	**36,606,425**	**40,280,466**	**11,938,371**	**29,066,823**	**183,935,830**
Liabilities							
Bank Deposits	1,317,405	605,107	168,195	28,222		258,798	2,377,727
Other Deposits	56,249,754	15,065,039	5,904,309	443,646	27,793	18,763,728	96,454,269
Money Market Funds	19,319,545	743,194	2,234,978	175,265			22,472,982
Miscellaneous Payables	431,558	934		2,330		6,726,899	7,161,721
Marketable Securities Issued	596,323	690,313	1,546,676	932,564			3,765,876
Funds Provided from Other Financial Institutions	8,587,216	6,293,359	3,634,995	117,978	240,727		18,874,275
Other Liabilities [(2)(3)]	218,812	743,576	1,117,686	85,160	8,486	30,655,260	32,828,980
Total Liabilities	**86,720,613**	**24,141,522**	**14,606,839**	**1,785,165**	**277,006**	**56,404,685**	**183,935,830**
Balance Sheet Long Position			21,999,586	38,495,301	11,661,365		72,156,252
Balance Sheet Short Position	(44,272,833)	(545,557)				(27,337,862)	(72,156,252)
Off Balance Sheet Long Position	2,701,724	5,670,393					8,372,117
Off Balance Sheet Short Position			(428,889)	(7,320,355)	(70,399)		(7,819,643)
Total Position	**(41,571,109)**	**5,124,836**	**21,570,697**	**31,174,946**	**11,590,966**	**(27,337,862)**	**552,474**

(1) The balances include factoring receivables.
(2) Shareholders' equity is shown in "non-interest bearing" column.
(3) The borrower funds are presented in "Up to 1 month" column in other liabilities.

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

b. Average interest rates applied to monetary financial instruments:

Current Period	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	0.75	1.26		8.36
Banks	2.31	5.24		8.04
Financial Assets at Fair Value through Profit/Loss				5.90
Money Market Placements	4.86	4.79		8.34
Financial Assets Available for Sale	5.33	4.83	3.31	12.91
Loans	0.75	0.05		12.51
Held to Maturity Investments				
Liabilities				
Bank Deposits	1.80	1.99		6.16
Other Deposits	2.22	2.26	0.01	6.40
Money Market Funds	1.96	1.41		5.72
Miscellaneous Payables (1)				
Marketable Securities Issued		5.33		8.10
Funds	1.00	1.00		6.50
Funds Provided from Other Financial Institutions	1.48	1.96		7.95

(1) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans ,are also included.

Prior Period	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	3.62	3.18		11.29
Financial Assets at Fair Value through Profit/Loss	4.10	7.70		10.97
Money Market Placements	4.38	3.88		11.11
Financial Assets Available for Sale	4.41	4.27		8.66
Loans	5.12	4.50	2.86	13.99
Held to Maturity Investments	0.75	7.42		13.13
Liabilities				
Bank Deposits	1.65	3.04		7.91
Other Deposits	2.78	3.41	0.04	8.45
Money Market Funds	1.71	2.23		9.38
Miscellaneous Payables				
Marketable Securities Issued		5.30		9.29
Funds	1.00	1.00		6.50
Funds Provided from Other Financial Institutions	1.55	1.37		10.71

c. The interest rate risk of the banking book items:

Interest rate risk arising from the banking accounts is defined as negative effect risk on capital of the changes in market interest rates due to differences in interest settlement and re-pricing on, differences in interest-earning assets taking part in the banking book; interest-bearing liabilities; interest-bearing derivative transactions inclusive of the policies established by the Board of Directors, is managed within the framework of the strategies set by the Parent Bank Asset-Liability Committee. Compliance with internal risk limits for banking portfolio is closely and continuously monitored by the Risk Management Department and Asset-Liability Committee and the measurement results are reported to the Board of Directors on a monthly basis.

Duration and sensitivity analysis are conducted on a monthly basis by the Parent Bank in the scope of monitoring of interest rate risk arising from the banking books. In the duration analysis, the maturity gap between assets and liabilities of the balance sheet are determined by the calculation of the weighted average maturities based on the asset that sensitive to interest rate and liabilities and off-balance sheet transactions re-pricing period. In the interest rate risk sensitivity analysis, the influence of the various interest rate change scenarios to the economic value of the Parent Bank's capital is examined.

The interest rate risk of the banking book item in accordance with the legal regulations is measured and monitored on a monthly basis within the scope of the Regulation about Measurement and Assessment of Interest Rate Risk in the Banking Accounts by Standard Shock Method which is published official gazette numbered 28034 dated 23 August 2011. In the calculations committed due to the mentioned regulations, behavioral maturity modeling method is used for the deposits with low sensitivity to interest rate changes and demand deposits which is original maturities is longer than contractual maturities. In the core deposit analysis, the historical data of demand deposit is used and calculated the how much and which maturity would remain within the bank and these analysis is used as an input to not constitute a conflict of the legal provisions for quantifying the interest rate arising from banking book.

Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
TL	(+) 500	(3,292,629)	(13.31)%
TL	(-) 400	3,214,440	12.99%
EUR	(+) 200	(2,604)	(0.01)%
EUR	(-) 200	8,814	0.04%
USD	(+) 200	(410,270)	(1.66)%
USD	(-) 200	473,094	1.91%
Total (for Negative Shocks)		**3,696,348**	**14.94%**
Total (for Positive Shocks)		**(3,705,503)**	**(14.98)%**

VII. Explanations on Equity Shares Risk Arising from Banking Book

a. Related to the equity investments account practices about the associates and subsidiaries can be seen in the Third Section and footnote numbered III.

b. Balance Sheet Value of Equity Investment, fair value, and for publicly traded, if the market value is different from the fair value comparison to the market price:

Share Certificate Investments	Comparison		
	Book Value	Book Value	Book Value
Quoted			
Stock Investment Group A			
Subsidiaries			
Financial Subsidiaries			
Non-Financial Subsidiaries	2,889,429		2,889,429
Non-Quoted			
Associate and Subsidiaries			
Financial Subsidiaries (1)	86,722		
Non-Financial Subsidiaries	691,559		
Subsidiaries			
Financial Subsidiaries			
Non-Financial Subsidiaries	730,724		
Securities Available For Sale	137,480 (2)		96,664

(1) *Accounted under equity accounted method.*
(2) *Since they are not traded in an active market, securities available for sale are shown in the financial statements at acquisition cost includes values.*

c. Unrealized gains and losses on investment in stocks, revaluation increases with the amounts of main and additive capital:

Portfolio	Realized Gains/losses During the period	Revaluation Increases		Unrealized Gains		
		Total	Including to the Capital Contribution	Total	Including in to the main capital	Including to the Capital Contribution
Private Equity Investments						
Shares Traded on a Stock Exchange				1,689,476		760,264
Other Stocks						
Total				**1,689,476**		**760,264**

VIII. Explanations on Consolidated Liquidity Risk

Liquidity risk may arise as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Parent Bank's main source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Parent Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. The Parent Bank also borrows medium and long-term funds from institutions abroad.

In order to meet the liquidity requirements that may arise due to market fluctuations, the Group analyses TL and FC cash flows projections to preserve liquid assets. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Parent Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Parent Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and to avoid extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio mean the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios of the Parent Bank for the year ended 2012 with their prior year comparatives are given below.

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
Current Period	**FC**	**FC + TL**	**FC**	**FC + TL**
Average (%)	150.28	150.51	97.72	109.76
Highest (%)	172.36	175.69	113.42	125.15
Lowest (%)	125.96	119.19	88.25	103.75

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
Prior Period	**FC**	**FC + TL**	**FC**	**FC + TL**
Average (%)	153.51	179.24	97.51	130.64
Highest (%)	213.52	271.05	116.48	170.87
Lowest (%)	115.11	122.44	82.60	107.70

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated (1)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	4,775,236	11,304,951		30,940				16,111,127
Banks	932,706	2,855,822	682,860	80,505				4,551,893
Financial Assets at Fair Value through Profit/Loss	341,789	289,371	337,335	518,063	536,278	179,805		2,202,641
Money Market Placements		81,675						81,675
Financial Assets Available for Sale	256,734	1,384,249	486,631	4,760,329	14,076,562	11,209,320		32,173,825
Loans (2)	12,371,747	13,344,541	8,490,258	27,315,221	43,756,824	10,455,127	499,705	116,233,423
Held to Maturity Investments		511,325	11	3,157,200	7,374,212	6,031		11,048,779
Other Assets	347,647	2,040,573	87,200	311,175	931,536	94,874	14,858,371	18,671,376
Total Assets	**19,025,859**	**31,812,507**	**10,084,295**	**36,173,433**	**66,675,412**	**21,945,157**	**15,358,076**	**201,074,739**
Liabilities								
Bank Deposits	235,228	2,301,440	404,997	258,284	11,863			3,211,812
Other Deposits	21,111,410	54,544,568	20,183,046	6,347,974	585,430	26,620		102,799,048
Funds Provided from Other Financial Institutions		1,193,321	693,868	7,410,282	5,524,969	4,339,472		19,161,912
Money Market Funds		15,499,933	288,924	378,571	469,114	394,289		17,030,831
Marketable Securities Issued (3)		978,437	1,618,962	1,964,715	1,914,249	1,804,451		8,280,814
Miscellaneous Payables	5,325,165	3,701,000	46,127	42,339	69,847			9,184,478
Other Liabilities (4)	2,135	2,000,383	1,278,854	2,284,504	54,104	9,563	35,776,301	41,405,844
Total Liabilities	**26,673,938**	**80,219,082**	**24,514,778**	**18,686,669**	**8,629,576**	**6,574,395**	**35,776,301**	**201,074,739**
Liquidity Gap	**(7,648,079)**	**(48,406,575)**	**(14,430,483)**	**17,486,764**	**58,045,836**	**15,370,762**	**(20,418,225)**	
Prior Period								
Total Assets	**17,987,463**	**26,503,513**	**10,831,109**	**29,133,159**	**61,964,229**	**24,265,409**	**13,250,948**	**183,935,830**
Total Liabilities	**22,741,897**	**81,761,005**	**18,921,277**	**18,909,299**	**7,403,277**	**4,696,632**	**29,502,443**	**183,935,830**
Liquidity Gap	**(4,754,434)**	**(55,257,492)**	**(8,090,168)**	**10,223,860**	**54,560,952**	**19,568,777**	**(16,251,495)**	

(1) *Assets, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which cannot be converted into cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in 'Unallocated" column.*
(2) *The balances include factoring receivables.*
(3) *Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.*
(4) *The borrower funds are presented in "Up to 1 month" column in other liabilities.*

In compliance with the TFRS 7 "Financial Instruments: Disclosures", the following table indicates the maturities of the Group's major financial assets and liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of collections and payments without discounting the assets and liabilities. The interest to be collected from and paid to the related assets and liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related assets and liabilities registered in balance sheet do not include these amounts.

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

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	341,789	17,943	146,505	473,946	599,396	285,509	1,865,088	304,970	1,560,118
Banks	932,706	2,867,150	694,645	83,603			4,578,104	26,211	4,551,893
Financial Assets Available for Sale	256,734	1,720,751	754,763	5,806,943	16,866,584	14,000,825	39,406,600	7,232,775	32,173,825
Loans (1)	12,371,747	14,563,509	9,413,666	30,150,364	52,276,053	12,118,768	130,894,107	15,160,388	115,733,719
Investments Held to Maturity		515,270	292,581	3,750,520	8,193,582	6,755	12,758,708	1,709,929	11,048,779
Liabilities									
Deposits	21,346,638	56,998,136	20,769,477	6,744,323	651,164	35,322	106,545,060	534,200	106,010,860
Funds Provided from Other Financial Institutions		1,221,152	743,744	7,868,901	5,920,205	4,616,780	20,370,782	1,208,870	19,161,912
Money Market Funds		15,515,373	291,971	395,322	544,922	411,281	17,158,869	128,038	17,030,831
Securities Issued (Net) (2)		979,535	1,672,266	2,201,888	2,585,699	2,320,500	9,759,888	1,479,074	8,280,814

(1) The balances include factoring receivables.
(2) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans ,are also included.

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	327,228	16,843	15,045	277,414	904,952	150,580	1,692,062	235,630	1,456,432
Banks	762,500	3,469,439	356,337	173,277	12,301		4,773,854	25,948	4,747,906
Financial Assets Available for Sale	179,937	2,379,266	978,394	5,376,744	16,222,837	17,743,173	42,880,351	9,323,285	33,557,066
Loans	9,689,446	12,799,562	7,897,704	26,708,391	44,318,922	11,536,130	112,950,155	13,517,380	99,432,775
Investments Held to Maturity		15,505	2,474,547	1,624,774	12,515,847	22,033	16,652,706	2,945,274	13,707,432
Liabilities									
Deposits	19,054,431	57,746,825	15,899,760	6,189,466	564,186	42,012	99,496,680	664,684	98,831,996
Funds Provided from Other Financial Institutions		637,534	1,399,450	7,706,408	5,901,884	4,385,668	20,030,944	1,156,669	18,874,275
Money Market Funds		18,349,829	442,431	2,696,244	427,397	779,808	22,695,709	222,727	22,472,982
Securities Issued (Net)		599,839	555,541	1,667,435	1,228,291		4,051,106	285,230	3,765,876

The following table shows the remaining maturities of non-cash loans of the Group.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,043,692	454,640	657,179	1,604,296	144,711	315,968	5,220,486
Letters of Guarantee	13,506,229	664,166	1,349,647	3,997,469	3,025,066	404,884	22,947,461
Acceptances	45,351	168,374	343,971	698,964	41,590		1,298,250
Other	28,863	88,260	39,889	54,413	42,850	376,735	631,010
Total	**15,624,135**	**1,375,440**	**2,390,686**	**6,355,142**	**3,254,217**	**1,097,587**	**30,097,207**

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,892,153	273,372	478,597	1,648,955	121,833	346,619	5,761,529
Letters of Guarantee	11,139,061	381,913	1,527,234	3,941,306	2,604,691	330,068	19,924,273
Acceptances	15,700	95,191	168,474	559,977	36,982		876,324
Other	41,322	32,560	33,454	59,657	81,141	466,826	714,960
Total	**14,088,236**	**783,036**	**2,207,759**	**6,209,895**	**2,844,647**	**1,143,513**	**27,277,086**

The following table shows the remaining maturities of derivative financial assets and liabilities of the Group.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	4,042,852	1,153,656	1,722,416	167,416		7,086,340
Forwards Contracts- Sell	4,020,500	1,149,326	1,721,263	166,962		7,058,051
Swaps Contracts -Buy	6,255,817	1,486,052	5,680,018	8,301,550	1,919,583	23,643,020
Swaps Contracts -Sell	5,844,119	1,475,271	5,450,278	8,253,098	1,919,537	22,942,303
Futures Transactions-Buy		19,326				19,326
Futures Transactions-Sell		17,800				17,800
Options-Call	1,205,185	597,335	2,173,464	1,089,662	444,032	5,509,678
Options-Put	1,200,462	594,987	2,161,966	1,089,663	444,032	5,491,110
Other	381,103	40,327	40,832			462,262
Total	**22,950,038**	**6,534,080**	**18,950,237**	**19,068,351**	**4,727,184**	**72,229,890**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	2,018,832	2,107,575	4,477,234	387,581		8,991,222
Forwards Contracts- Sell	2,052,739	2,098,489	4,447,195	387,295		8,985,718
Swaps Contracts -Buy	5,918,350	964,866	1,555,830	11,902,459	2,473,204	22,814,709
Swaps Contracts -Sell	6,177,476	1,185,799	1,606,300	11,488,587	2,473,204	22,931,366
Futures Transactions-Buy		23,540				23,540
Futures Transactions-Sell		23,215				23,215
Options-Call	1,197,127	417,918	1,566,333	870,795	579,118	4,631,291
Options-Put	1,193,790	417,916	1,566,333	870,795	579,118	4,627,952
Other	286,923	238,106	287,863	7,331		820,223
Total	**18,845,237**	**7,477,424**	**15,507,088**	**25,914,843**	**6,104,644**	**73,849,236**

IX. Explanations on Securitization Positions

None.

X. Explanations on Credit Risk Mitigation Techniques

Activities carried out by the bank that give rise to credit risk and collaterals are in accordance with the provisions of the relevant legislation. However, effect of credit risk mitigation techniques is not taken into account in the determination of the capital adequacy ratio.

XI. Explanations on Risk Management Objectives and Policies

In addition to banking activities, activities of the entire the group as a whole is exposed to financial and non-financial risks which are required to be analyzed, monitored and reported within specific risk management principles of the bank and with the perspective of Group risk management. The risk management process is organized within the framework of risk management and serves the creation of a common risk culture in corporate level; which brings "good corporate governance" to forefront, business units that undertaken risks and the independence between the internal audit and surveillance units are established, risk is defined in accordance with international regulations and in this context measurement, analysis, monitoring, reporting and control functions are carried.

Risk management process and the functions involved in the process is one of the primary responsibilities of the Board of Directors. The Risk Management Department, which operates under the Board of Directors has been organized as Asset-Liability Management Risk Unit, Credit Risk and Economic Capital Unit, Operational Risk and Model Verification and Subsidiary Risk Unit.

The Bank's risk management process is carried out within the framework of risk policies which are set by recommendations of Risk Management Department and issued by the Board of the Directors and written standards which contains risk policies and implemented by executive units.

These policies which are entered into force in line with the international practices are general standards which contains; organization and scope of the risk management function, risk measurement policies, duties and responsibilities of the risk management group, procedures for determining risk limits, ways to eliminate limit violations and approval and confirmation to be given in a variety of events and situations. The scope and content of the Parent Bank's risk management system is given by the main risk types.

<u>Credit risk</u>

Credit risk is defined as the risk of the failure to comply with the requirements or failing to fulfill its obligations partially or totally of the counter side of the transaction contract with the Parent Bank. The methodology and responsibilities of the credit risk management, controlling and monitoring and the framework of credit risk limitations specified with the credit risk policy.

The Bank defines measures and manages credit risk of the all products and activities. Board of Directors review the Parent Bank's credit risk policies and credit risk strategy on an annual basis as a minimum. Key Management is responsible for the implementation of credit risk policies which are approved by Board of Directors.

As a result of loans and credit risks analysis all findings are reported to Board of Directors and Key Management on a regular basis. In addition to transaction and company based credit risk assessment process, monitoring of credit risk also refers to an approach with monitoring and managing the credit as a whole maturity, sector, security, geography, currency, credit type and credit rating.

In the Parent Bank's credit risk management, along the limits as required by legal regulations, the Parent Bank utilizes the risk limits to undertake the maximum credit risk within risk groups or sectors that the Board of Directors determines. These limits are determined such a way that prevents risk concentration on particular sectors.

Excess risk limits up to legal requirements and boundaries limits are considered as an exception. The Board of Directors has the authority in exception process. The results of the control of risk limits and the evaluations of these limits are presented by Internal Audit and Risk Management Group to Key Management and Board of Directors.

The Bank uses credit decision support systems which are created for the purpose of credit risk management, lending decisions, controlling the credit process and credit provisioning. The consistency of the credit decision support systems with the structure of the Parent Bank's activities, size and complexity is examined continuously by internal systems. Credit decision support systems contain the Risk Committee assessment and approval of Board of Directors.

<u>Asset and Liability Management Risk</u>

Asset-liability management risk defined as the risk of Bank's incurring loss due to managing all financial risks, that are inflicted from the Bank's assets, liabilities and off-balance sheet transactions, ineffectively. Trading book portfolio's market risk, structural interest rate risk and liquidity risk of the banking portfolio; are considered within the scope of the asset liability management.

All principles and procedures related to the generating and management of asset and liability structure and "Risk Appetite" related to the capital to be allocated, are determined by the Board of Director. Complying the established risk limits and being at the limits that stipulated by the legislation are the primary priority of Asset-liability management risk. Risk limits are determined by the Board of Directors by taking into consideration of the Parent Bank's liquidity, target income level and general expectations about changes in risk factors and risk appetite.

Board of Directors and the Audit Committee are responsible for following the Parent Bank's capital is used optimally; for this purpose, checking the status against risk limits and providing the necessary actions are taken.

Asset and Liability Management Committee is responsible for managing the Asset and Liability risk within the framework of operating principles that are involved in the risk appetite and risk limits are set by the Board of Directors in accordance with the policy statement.

Measurement of the Asset and Liability Management's risk, reporting of the measurement results and monitoring the compliance with risk limits are the responsibility of the Risk Management Department. The course of the risk taken is examined through different scenarios The measurement results are tested in terms of reliability and integrity. Information related to asset-liability management risk are reported to the Board of Directors by the Department of Risk Management through the Risk Committee and the Audit Committee.

Asset and liability management processes and compliance with the provisions of the policy are controlled and audited by the internal audit system. The execution of the audit, reporting the audit results, action plans for the elimination of errors and gaps identified as a result of inspections regarding the fulfillment of the principles, are determined by the Board of Directors.

<u>Operational Risk</u>

Operational risk is defined as "the probability of loss due to the inadequate or failed internal processes, people, systems, external factors or legal risks". All risks except financial risks are considered within the scope of operational risk. Studies consisted and are formed of occur by execution of identification, definition, measurement, analysis, monitoring of operational risk, providing and reporting the necessary control related to monitoring the progress of our country and the world, the development of techniques and methods, necessary legal reporting, notification and conduct of follow-up transactions. Studies on the subject are conducted by the Department of Risk Management.

Operational risks that arise due to the activities are defined in "Bank Risk Catalogue" and classified in respect of species. Bank Risk Catalogue is kind of the fundamental document that used for identification and classification of all at the risk that may be encountered. It is updated in line with the changes in the nature of the processes and activities.

Qualitative and quantitative methods are used in a combination for measurement and evaluation of the operational risks. In this process, information use that obtained from "Impact-Probability Analysis", "Missing Event Data Analysis", "Risk Indicators" methods. Methods prescribed by legal regulations are applied as minimum in determining the capital requirement level for the operating risk.

All risks are assessed in the context of operational risk, loss events and the risk indicators same as operational risks that occurred in the Parent Bank, are monitored on a regular basis by the Department of Risk Management and reported periodically to the Risk Committee and the Board of Directors.

XII. Explanations on Other Price Risk

The Group has investments in companies traded on the ISE is exposed to equity securities price risk. Shares are being acquired for investment purposes rather than.

The Bank's sensitivity to equity price risk at the reporting date an analysis was conducted to measure. In the analysis, with the assumption of all other variables were held constant (stock prices) are 10% higher or lower and is assumed that. According to this assumption in equity securities revaluation reserve account TL 288,943 (31.12.2011: TL 253,571) increase / decrease is expected to be. This, in fact, the fair value of publicly traded subsidiaries and associates the increase / decrease is due.

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

XIII. Explanations on Presentation of Assets and Liabilities at Fair Value

1. Information on fair values of financial assets and liabilities

	Book Value		Fair Value	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Financial Assets				
Money Market Placements	81,675	171,613	81,675	171,613
Banks	4,551,893	4,747,906	4,561,539	4,753,110
Financial Assets Available for Sale	32,173,825	33,557,066	32,173,825	33,557,066
Investments Held to Maturity	11,048,779	13,707,432	11,838,343	14,394,632
Loans *(1)*	116,233,423	99,432,775	118,594,871	99,113,476
Financial Liabilities				
Banks Deposits	3,211,812	2,377,727	3,212,239	2,373,595
Other Deposits	102,799,048	96,454,269	102,768,626	96,385,596
Funds Provided from Other Financial Institutions	19,161,912	18,874,275	19,164,808	18,733,054
Marketable Securities Issued *(2)*	8,280,814	3,765,876	8,480,954	3,724,657
Funds Borrowed	9,745	7,894	9,745	7,894
Miscellaneous Payables	9,184,478	7,161,721	9,184,478	7,161,721

(1) Includes factoring amounts.
(2) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

Fair values of investments held to maturity and the marketable securities issued are determined by using the market prices; in cases where market prices cannot be measured, quoted market prices of other securities that are subject to amortization having similar interest, maturity and other conditions are taken as the basis for the fair value determination.

Market prices are taken into account in determining the fair values of the securities available for sale. When the prices cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values. Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

2. Information on fair value measurements recognized in the financial statements

TFRS 7 "Financial Instruments: Disclosures" requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the consolidated financial statements at their fair values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	**Level 1**	**Level 2**	**Level 3**
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	1,200,588	11,184	6,558
Equity Securities	195,388		
Derivative Financial Assets Held for Trading		642,523	
Other	17,077	129,323	
Financial Assets Available-for-Sale			
Debt Securities	24,611,395	6,084,344	1,221,353
Equity Securities **(1)**	96,664		
Other		119,253	
Investments in Subsidiaries and Associates (2)	2,889,429		
Derivative Financial Liabilities		760,440	

(1) Since they are not traded in an active market, the equity securities (TL 40,816) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.
(2) Since unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in table.

Prior Period	**Level 1**	**Level 2**	**Level 3**
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	1,093,632	35,103	473
Equity Securities	153,621		
Derivative Financial Assets Held for Trading		961,689	
Other	8,818	164,785	
Financial Assets Available-for-Sale			
Debt Securities	20,088,839	6,702,227	6,586,064
Equity Securities (1)	30,732		
Other		109,049	
Investments in Subsidiaries and Associates(2)	2,535,707		
Derivative Financial Liabilities		916,086	

(1) Since they are not traded in an active market, the equity securities (TL 40,155) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.
(2) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

There has not been any transition between level 1 and level 2 during the period.

The movement table of financial assets at level 3 is given below.

	Current Period	**Prior Period**
Balance at the Beginning of the Period	6,586,537	8,699,890
Purchases	18,576	2,044,034
Redemption or Sales	(3,191,156)	(3,573,710)
Valuation Difference	(135,876)	1,339,541
Transfers	(2,050,170)	(1,923,218)
Balance at the end of the Period	**1,227,911**	**6,586,537**

XIV. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions

1. Transactions both in national and international capital markets in connection with the trading and custody on behalf of others are carried out, and portfolio management and investment consulting services are provided.

2. The Group has no fiduciary transactions.

XV. Explanations on Consolidated Business Segmentation

The Group's operations are classified as corporate, commercial, retail and private banking, and treasury/investment banking. While the commercial and corporate operations are differentiated by the Parent Bank and its financial institutions, according to their own criterion, in the classification of other operations, the same methods are applied by the Group.

Services to the large corporations, SMEs and other trading companies are provided through various financial media within the course of the corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantee, letter of credit, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

Retail banking services are comprised of individuals needs such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. Private banking category, are comprised of any kind of financial and cash management related services are provided for individuals within the high-income segment.

Treasury transactions are comprised of medium and long term funding tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations.

The Group's investments in unconsolidated associates and subsidiaries are evaluated within the context of investment banking.

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

Statement of information related to business segmentation of the Group is given below.

Current Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							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							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							6,842,265
Net Fees and Commissions Income							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							4,673,646
Tax Provision							958,912
Net Period Profit							3,714,734
Group Profit/Loss							3,412,022
Non-controlling Interest Profit/Loss							302,712
SEGMENT ASSETS							
Financial Assets at FV 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
							201,074,739
SEGMENT LIABILITIES							
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 (2)	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
							201,074,739

(1) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.
(2) The borrower funds are presented in "Other Liabilities".

Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							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							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							5,416,996
Net Fees and Commissions Income							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							3,097,909
Tax Provision							708,541
Net Period Profit							2,389,368
Group Profit/Loss							2,271,539
Non-controlling Interest's 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
Investments Held to Maturity					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
							183,935,830
SEGMENT LIABILITIES							
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 (1)	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
							183,935,830

(1) The borrowed funds are under the "Other Liabilities" items.

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

SECTION FIVE: DISCLOSURES AND FOOTNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. Disclosures And Footnotes On Consolidated Assets

a. Cash and CBT:

a.1. Information on Cash and Balances with the CBT:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash in TL / Foreign Currency	1,064,233	616,428	797,049	352,306
Central Bank of Turkey	1,555,640	12,776,027	4,273,040	8,353,163
Other		98,799		111,019
Total	**2,619,873**	**13,491,254**	**5,070,089**	**8,816,488**

a.2. Information on Balances with the CBT:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposit	1,555,640	1,440,136	4,273,040	1,423,941
Unrestricted Time Deposit				
Restricted Time Deposit				
Other [1]		11,335,891		6,929,222
Total	**1,555,640**	**12,776,027**	**4,273,040**	**8,353,163**

[1] *The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities*

a.3. Information on reserve requirements:

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBT, banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11% for TL deposits and other liabilities, between 9%-11.5% for FC deposits and between 6%-11.5% for other FC liabilities. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

b. Information on Financial Assets at Fair Value through Profit and Loss:

b.1. Financial assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as of 31 December 2012 are amounting to TL 44,206 (31 December 2011: TL 15,311).

b.2. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as of 31 December 2012 are amounting to TL 816,410 (31 December 2011: TL 553,242).

b.3. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward Transactions	66,134	13,888	29,265	133,328
Swap Transactions	82,178	437,811	10,308	740,063
Futures	180	6	504	479
Options	6,288	33,529	262	44,595
Other		2,509	29	2,856
Total	**154,780**	**487,743**	**40,368**	**921,321**

c. Information on Banks:

c.1. Information on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic Banks	2,747,911	484,448	509,585	2,239,658
Foreign Banks	94,992	1,224,542	92,876	1,905,787
Foreign Head Office and Branches				
Total	**2,842,903**	**1,708,990**	**602,461**	**4,145,445**

c.2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU Countries	741,057	921,248		
USA, Canada	168,707	232,981	89	94
OECD Countries (1)	58,473	488,192		
Off-shore Banking Regions		114		
Other	280,713	290,795	70,495	65,239
Total	**1,248,950**	**1,933,330**	**70,584**	**65,333**

(1) OECD countries other than the EU countries, USA and Canada.

d. Information on Financial Assets Available for Sale:

d.1. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked amount to TL 4,557,148 as of 31 December 2012 (31 December 2011: TL 3,513,217).

d.2. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale which are subject to repurchase agreements amount to TL 10,878,084 as of 31 December 2012 (31 December 2011: TL 17,642,045).

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

d.3. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	31,945,060	33,601,630
Quoted on a Stock Exchange	25,157,963	20,794,676
Not-Quoted [1]	6,787,097	12,806,954
Share Certificates	148,435	86,861
Quoted on a Stock Exchange	98,830	37,916
Not-Quoted	49,605	48,945
Value Increases / Impairment Losses (-)	38,923	240,474
Other	119,253	109,049
Total	**32,173,825**	**33,557,066**

(1) Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

e. Information related to loans:

e.1. Information on all types of loans and advances given to shareholders and employees of the group:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	183,695	175	458,740	130
Total	**183,695**	**175**	**458,740**	**130**

e.2. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Amendments on Conditions of Contract		Loans and Other receivables	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
Non-specialized loans	112,774,192	1,505,985	429,046	1,944,587	343,870	145,805
Corporation loans	50,606,183	241,932	7,323	653,225	66,308 (1)	123,868
Export loans	6,977,814	2,939	2,585	76,653		
Import loans						
Loans Given to Financial Sector	2,852,927					
Consumer loans	21,988,198	1,117,461	343,667	617,312	78,700	11,033
Credit Cards	8,371,819	17	421	346,169	160,869	
Other	21,977,251	143,636	75,050	251,228	37,993	10,904
Specialized Loans						
Other Receivables						
Total	**112,774,192**	**1,505,985**	**429,046**	**1,944,587**	**343,870**	**145,805**

(1) The amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	1,491,732	158,762 (1)
Extended for 3,4 or 5 Times	13,263	184,876
Extended for More than 5 Times	990	232

(1) The amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
The Time Extended via the Amendment on Payment Plan		
0-6 Months	245,443	17,703
6 Months - 12 Months	322,208	55,123
1-2 Years	540,129	84,840
2-5 Years	148,527	106,394(1)
5 Years and More	249,678	79,810(1)

(1) The amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

e.3. Information on Maturity analysis of cash loans:

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans and Other Receivables	37,390,728	80,830	536,609	50,024
Non-Specialization Loans	37,390,728	80,830	536,609	50,024
Specialization Loans				
Other Receivables				
Medium and Long-term Loans and Other Receivables	75,383,464	1,854,201	1,407,978	439,651
Non- Specialization Loans	75,383,464	1,854,201	1,407,978	439,651*(1)*
Specialization Loans				
Other Receivables				

(1) The amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those

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

e.4. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans-TL	563,153	21,200,707	169,037	21,932,897
Real Estate Loans	24,577	9,349,574	80,181	9,454,332
Vehicle Loans	28,920	1,277,982	8,024	1,314,926
General Purpose Consumer Loans	57,042	3,300,152	24,820	3,382,014
Other Consumer Loans	452,614	7,272,999	56,012	7,781,625
Consumer Loans – FC Indexed		52,470	30,770	83,240
Real Estate Loans		52,419	30,756	83,175
Vehicle Loans		51	14	65
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans – FC	21,256	201,852	831	223,939
Real Estate Loans		3,148		3,148
Vehicle Loans	10	522	1	533
General Purpose Consumer Loans	21,246	198,182	830	220,258
Other Consumer Loans				
Retail Credit Cards-TL	7,251,796	703,972	48,216	8,003,984
With Instalments	3,157,246	703,972		3,861,218
Without Instalments	4,094,550		48,216	4,142,766
Retail Credit Cards-FC				
With Instalments				
Without Instalments				
Personnel Loans-TL	7,058	55,676	651	63,385
Real Estate Loans		843	211	1,054
Vehicle Loans	108	1,899	12	2,019
General Purpose Consumer Loans	2,920	32,444	256	35,620
Other Consumer Loans	4,030	20,490	172	24,692
Personnel Loans- FC Indexed		512	266	778
Real Estate Loans		512	266	778
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans-FC	486	2,421	5	2,912
Real Estate Loans		274		274
Vehicle Loans				
General Purpose Consumer Loans	486	2,147	5	2,638
Other Consumer Loans				
Personnel Credit Cards-TL	108,234		427	108,661
With Instalments	47,709			47,709
Without Instalments	60,525		427	60,952
Personnel Credit Cards-FC	20	3		23
With Instalments				
Without Instalments	20	3		23
Overdraft Accounts – TL (real persons)	288,827		9,532	298,359
Overdraft Accounts – FC (real persons)				
Total	**8,240,830**	**22,217,613**	**259,735**	**30,718,178**

e.5. Information on commercial installments loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Instalments-TL	1,109,475	13,299,565	130,616	14,539,656
Real Estate Loans	4,472	508,702	3,536	516,710
Vehicle Loans	67,543	2,679,993	17,109	2,764,645
General Purpose Commercial Loans	1,031,404	9,796,520	103,720	10,931,644
Other Commercial Loans	6,056	314,350	6,251	326,657
Commercial Loans With Instalments-FC	42,890	1,343,567	88,002	1,474,459
Real Estate Loans		64,854	7,384	72,238
Vehicle Loans	2,161	574,882	34,599	611,642
General Purpose Commercial Loans	40,729	674,339	42,275	757,343
Other Commercial Loans		29,492	3,744	33,236
Commercial Loans With Instalments-FC	15,833	352,863	4,662	373,358
Real Estate Loans		1,633		1,633
Vehicle Loans	39	938		977
General Purpose Commercial Loans	15,592	19,373	20	34,985
Other Commercial Loans	202	330,919	4,642	335,763
Corporate Credit Cards-TL	595,789	4,240	5,291	605,320
With Instalments	105,746	4,240		109,986
Without Installments	490,043		5,291	495,334
Corporate Credit Cards-FC				
With Instalments				
Without Instalments				
Overdraft Accounts – TL	753,650		18,801	772,451
Overdraft Accounts – FC (corporate)				
Total	**2,517,637**	**15,000,235**	**247,372**	**17,765,244**

e.6. Allocation of loan by borrowers:

	Current Period	Prior Period
Public Sector	1,965,843	2,165,841
Private Sector	113,252,640	96,862,281
Total	**115,218,483**	**99,028,122**

e.7. Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	112,859,489	96,539,802
Foreign Loans	2,358,994	2,488,320
Total	**115,218,483**	**99,028,122**

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

e.8. Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	67,524	62,352
Indirect Loans Granted to Subsidiaries and Associates		
Total	**67,524**	**62,352**

e.9. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	57,272	213,790
Loans and Receivables with Doubtful Collectability	225,595	209,079
Uncollectible Loans and Receivables	1,371,911	1,686,550
Total	**1,654,778**	**2,109,419**

e.10. Information on non-performing loans (Net):

e.10.1. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled by the Group:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period			
(Gross amounts before the specific provisions)	16,304	49,168	76,459
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	16,304	49,168	76,459
Prior Period			
(Gross amounts before the specific provisions)	3,747	10,499	22,178
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	3,747	10,499	22,178

e.10.2. Movement of total non-performing loans:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Prior Period Ending Balance	**213,790**	**209,079**	**1,686,550**
Corporate and Commercial Loans	152,842	85,533	1,151,183
Retail Loans	28,818	35,000	236,888
Credit Cards	32,130	43,518	298,479
Other		45,028	
Additions (+)	**1,043,344**	**68,782**	**88,616**
Corporate and Commercial Loans	577,333	26,261	46,343
Retail Loans	241,246	34,580	32,227
Credit Cards	224,765	7,012	6,863
Other		929	3,183
Transfers from Other NPL categories (+)		**767,397**	**498,280**
Corporate and Commercial Loans		479,788	273,625
Retail Loans		136,756	87,610
Credit Cards		150,853	91,629
Other			45,416
Transfers to Other NPL categories (-)	**804,850**	**460,827**	
Corporate and Commercial Loans	507,482	245,931	
Retail Loans	146,515	77,851	
Credit Cards	150,853	91,629	
Other		45,416	
Collections (-)	**169,425**	**126,782**	**499,372**
Corporate and Commercial Loans	82,726	60,971	319,827
Retail Loans	35,745	28,445	97,357
Credit Cards	50,954	36,931	81,535
Other		435	653
Write-Offs (-) [(1)]	**227**	**2,267**	**356,456**
Corporate and Commercial Loans	14	1,431	147,161
Retail Loans	171	294	69,592
Credit Cards	42	436	139,303
Other		106	400
Foreign Currency Effect	**(1,155)**	**2**	**3**
Corporate and Commercial Loans	(951)	1	1
Retail Loans	(204)	1	2
Credit Cards			
Other			
Current Period Ending Balance	**281,477**	**455,384**	**1,417,621**
Corporate and Commercial Loans	139,002	283,250	1,004,164
Retail Loans	87,429	99,747	189,778
Credit Cards	55,046	72,387	176,133
Other			47,546
Specific Provisions (-)	**57,272**	**225,595**	**1,371,911**
Corporate and Commercial Loans	27,156	139,913	965,476
Retail Loans	18,993	49,369	182,756
Credit Cards	11,123	36,313	176,133
Other			47,546
Net Balance on Balance Sheet	**224,205**	**229,789**	**45,710**

(1) Portfolio of non-performing loans in the current year, part of the 136,641 TL which is consisting of 223 TL receivables previously written off transferred to the Girisim Varlık A.S. as a value of 28,656. Part of the 285,619 TL which is consisting of 1,442 TL receivables previously written off transferred to the LBT Varlık Yönetim A.S. as a value of 50,127 TL.

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

e.10.3. Information on the Group's foreign currency non-performing loans and other receivables:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance	14,521	26,796	82,476
Specific Provisions (-)	3,219	10,488	65,938
Net Balance on Balance Sheet	11,302	16,308	16,538
Prior Period:			
Period Ending Balance	39,326	10,303	73,367
Specific Provisions (-)	39,326	10,303	73,367
Net Balance on Balance Sheet			

e.10.4. Information on gross and net non-performing loans and receivables as per customer categories:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)			
Loans to Individuals and Corporate (Gross)	281,477	455,384	1,370,005
Specific Provisions (-)	57,272	225,595	1,324,295
Loans to Individuals and Corporate (Net)	224,205	229,789	45,710
Banks (Gross)			70
Specific Provisions (-)			70
Banks (Net)			
Other Loans and Receivables (Gross)			47,546
Specific Provisions (-)			47,546
Other Loans and Receivables (Net)			
Prior Period (Net)			
Loans to Individuals and Corporate (Gross)	178,702	164,051	1,681,207
Specific Provisions (-)	178,702	164,051	1,681,207
Loans to Individuals and Corporate (Net)			
Banks (Gross)	82		
Specific Provisions (-)	82		
Banks (Net)			
Other Loans and Receivables (Gross)	35,006	45,028	5,343
Specific Provisions (-)	35,006	45,028	5,343
Other Loans and Receivables (Net)			

e.11. Main principles of liquidating for uncollectible loans and other receivables:

In order to ensure the liquidation of non-performing loans, all possibilities evaluated to ensure maximum collection according to the legislation. First of all, administrative initiatives are taken to deal with the borrower. Collection through legal proceedings used if there is no possibility of collection and configuration with the interviews for other receivables.

e.12. Explanations on write-off policy:

When the failure to obtain due to lack of legal follow-up, because of the absence of redeemable assets of debtors or although conversion of all the assets of debtors with the scope of legal follow-up, there is a remaining receivable balance, receivable, by such evidence is available on borrowers, reduced to one. Such evidence cannot be obtained, uncollectible receivables are written-off by the destruction

f. Held to Maturity Investments:

f.1. Information on held to maturity investments, which are given as collateral or blocked:

As of 31 December 2012, held to maturity investments, which are given as collateral or blocked amount to TL 1,813,422 (31 December 2011: TL 2,014,400).

f.2. Information on held to maturity investments, which are subject to repurchase agreements:

As of 31 December 2012, assets held to maturity, which are subject to repurchase agreements amount to TL 4,200,685 (31 December 2011: TL 4,616,246).

f.3. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	11,033,267	13,686,705
Treasury Bills		
Other Public Debt Securities		
Total	**11,033,267**	**13,686,705**

f.4. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	11,048,779	13,707,432
Quoted on a Stock Exchange	11,033,267	13,686,705
Not Quoted [1]	15,512	20,727
Total	**11,048,779**	**13,707,432**

[1] Indicates unlisted debt securities, and debt securities that have not been traded at the end of the related periods although they are listed.

f.5. Movement of held to maturity investments within the period

	Current Period	Prior Period
Beginning Balance	13,707,432	14,070,629
Foreign Exchange Differences Arising on Monetary Assets	346	2,415
Purchases During the Year	14,913	34,228
Disposals through Sales and Redemption	(3,064,247)	(742,972)
Impairment Losses (-)		
Valuation Effect	390,335	343,132
Balance at the End of the Period	**11,048,779**	**13,707,432**

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

g. **Information on Associates (Net):**

g.1. Information on unconsolidated associates: None.

g.2. Information on consolidated associates:

	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	79.42

Information on financial statements of associates in the above order:

Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income [1]	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
2,809,236	421,475	29,610	128,219	70	59,860	47,834	

(1) *Includes interest income on securities.*

g.3. Movement of investments in consolidated associates:

	Current Period	Prior Period
Beginning balance	85,295	85,295
Movements during the period		
Purchases		
Bonus shares acquired		
Dividends received from the current year profit		
Sales		
Revaluation Increase		
Impairment		
Balance at the end of the period	85,295	85,295
Capital commitments		
Contribution in equity at the end of the period (%)		

g.4. Sectoral information on consolidated associates and the related carrying amounts:

	Current Period	Prior Period
Banks	85,295	85,295
Insurance Companies		
Factoring Companies		
Leasing Companies		
Finance Companies		
Other Financial Participations		
Total	**85,295**	**85,295**

g.5. Consolidated associates traded on a stock exchange: None.

g.6. Consolidated associates disposed of in the current period: None.

g.7. Consolidated associates acquired in the current period: None.

g.8. Other issues related to associates:

During the current period, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. sold the total of its 17% share in Ode Yalıtım Sanayi ve Ticaret A.Ş. for TL 18,814 (USD 10.5 million) in return and 6.67% share in Havaalanları Yer Hizmetleri A.Ş. for TL 35,110 (EUR 15.2 million) in return. During the current period, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. buys 58.5% share of Toksöz Spor Malzemeleri Ticaret A.Ş. in amount of TL 23,900 and 61.66% share of Numnum Yiyecek ve İçecek A.Ş. in amount of TL 27,000 TL.

h. **Information on subsidiaries (Net):**

h.1. Information on the significant size of the subsidiaries' equity:

	Türkiye Sınai Kalkınma Bankası A.Ş.	Insurance / Reinsurance Companies (1)	İş Gayrimenkul Yatırım Ortaklığı A.Ş. (1)	İş Yatırım Menkul Değerler A.Ş. (1)	İş Finansal Kiralama A.Ş.
SHAREHOLDERS' EQUITY	**1,782,340**	**1,587,547**	**1,053,790**	**793,897**	**554,351**
Paid-in Capital	1,100,374	1,415,000	840,146	286,000	389,000
Share Premium	388		424	1,302	
Reserves	230,950	290,585	16,519	26,205	112,907
Current Period Profit and Prior Periods' Profit	369,263	(61,922)	196,997	128,532	40,805
Non-Controlling Interest Rights	84,258			360,983	13,004
Deductions from Shareholders' Equity (-)	(2,893)	(56,116)	(296)	(9,125)	(1,365)
SUPPLEMENTARY CAPITAL	**190,483**	**27,649**		**1,630**	**5,603**
CAPITAL	**1,972,823**	**1,615,196**	**1,053,790**	**795,527**	**559,954**
DEDUCTIONS FROM THE CAPITAL	**(210,420)**				
CONSOLIDATED CAPITAL	**1,762,403**	**1,615,196**	**1,053,790**	**795,527**	**559,954**

(1) *These are as at 30 September 2012 amounts.*

h.2. Information on unconsolidated subsidiaries: None.

h.3. Information on consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Rights (%) [1]	Bank's Risk Group Share Percentage (%)
1-	Anadolu Anonim Türk Sigorta Şirketi	İstanbul/TURKEY	43.92	56.08
2-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/TURKEY	71.55	28.45
3-	Camiş Menkul Değerler A.Ş	İstanbul/TURKEY	67.60	32.40
4-	CJSC İşbank	Moscow/RUSSIA	100.00	0.00
5-	Efes Varlık Yönetim A.Ş.	İstanbul/TURKEY	63.96	36.04
6-	Is Investment Gulf Ltd.	Dubai/UAE	67.62	32.38
7-	İş Factoring Finansman Hizmetleri A.Ş.	İstanbul/TURKEY	40.73	59.27
8-	İş Finansal Kiralama A.Ş.	İstanbul/TURKEY	40.10	59.90
9-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	50.42	49.58
10-	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	33.48	66.52
11-	İş Portföy Yönetimi A.Ş.	İstanbul/TURKEY	65.84	34.16
12-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	67.62	32.38
13-	İş Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	22.40	77.60
14-	İşbank AG	Frankfurt/GERMANY	100.00	0.00
15-	Maxis Securities Ltd.	London/ENGLAND	67.62	32.38
16-	Milli Reasürans T.A.Ş.	İstanbul/TURKEY	76.64	23.36
17-	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	25.93	74.07
18-	Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/TURKEY	43.01	56.99
19-	Yatırım Finansman Menkul Değerler A.Ş.	İstanbul/TURKEY	41.74	58.26

(1) *Indirect share of the Group is considered as the Parent Bank's share percentage.*

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Financial statement information related to consolidated subsidiaries in the above order:

	Total Assets	Shareholder' Equity	Total Tangible Assets	Interest Income [1]	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value	Additional Shareholders' Equity Required
1-	2,324,574	607,342	66,180	68,562	39,442	(44,663)	(2,288)	(2)	
2-	6,784,753	489,168	24,420	131,966	14,175	61,737	49,205	(2)	
3-	18,189	3,550	836	1,196	265	(570)	(318)	(2)	
4-	378,386	113,111	42,784	20,898	8	(2,479)	(321)		
5-	35,751	(2,423)	939	1,657		(10,261)	(2,162)		
6-	1,492	1,464	265			61	(388)		
7-	469,495	55,602	617	35,205	1,296	234	6,119	(2)	
8-	2,820,322	565,798	2,462	164,043	2,272	41,801	54,266		
9-	1,304,177	1,054,086	1,109,892	5,384	723	49,614	30,250	(2)	
10-	232,587	200,415	9,067	8,500	4,735	34,245	37,995	(2)	
11-	66,362	64,645	984	6,636	994	6,870	6,415	(2)	
12-	3,643,744	801,773	19,070	125,232	80,734	100,559	70,889	(2)	
13-	275,736	274,772	31	13,329	24,203	33,891	(3,256)	(2)	
14-	2,366,046	262,055	42,817	113,306	6,254	15,188	13,969		
15-	71,896	6,012	347	7,647		897	(1,029)		
16-	1,763,914	658,398	45,616	78,429	35,460	98,349	(144,737)		
17-	364,374	235,144	328,125	1,589		17,047	(2,838)		
18-	10,857,318	1,919,002	266,176	613,037	13,209	325,151	258,620		
19-	615,831	67,144	1,857	16,969	12,647	2,171	5,973	(2)	

(1) *Includes interest income on securities.*
(2) *Financial information as at 30 September 2012 is presented whereas prior period profit/loss is as at 30 September 2011 is presented.*

h.4. Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	2,369,463	2,792,347
Movements in the Period		
Purchases [1]	225,428	417,877
Bonus Shares Acquired		
Dividends Received from the Current Year Profit		
Sales		
Revaluation Surplus [2]	825,243	(840,761)
Impairment		
Balance at the End of the Period	3,420,134	2,369,463
Capital Commitments		
Contribution in equity at the end of the period (%)		

(1) *TL 225,428 recognized in the current period is comprised of the following: TL 65,594 is participation in the cash capital increases of Closed Joint Stock Company İşbank and TL 7,316 is the remaining amount of USD 4 million payment mentioned in the Share Acquisition Agreement of Closed Joint Stock Company İşbank's purchase. And the rest is due to acquisitions related to the capital increases of subsidiaries through profit reserves.*
(2) *The relevant amounts represent the increases and decreases in the market value of subsidiaries quoted on the stock exchange.*

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

h.5. Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	1,386,942	793,824
Insurance Companies	1,230,445	968,185
Factoring Companies		
Leasing Companies	110,282	107,413
Finance Companies		
Other Financial Subsidiaries	692,465	500,041
Total	**3,420,134**	**2,369,463**

h.6. Consolidated subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	2,609,034	1,716,327
Traded on foreign stock exchanges		

h.7. Consolidated subsidiaries disposed of in the current period: None.

h. 8. Subsidiaries acquired in the current period: None.

h. 9. Other issues on subsidiaries:

İş Yatırım Ortaklığı A.Ş. which is the consolidated subsidiary has acquired another consolidated subsidiary TSKB Yatırım Ortaklığı A.Ş. through direct acquisition. The acquisition agreement for the transfer was registered on 16 July 2012 and published in the Trade Registry Gazette dated 20 July 2012.

i. Information on jointly controlled entities (Net):

There are no jointly controlled entities of the Parent Bank.

j. Information regarding finance lease receivables (Net):

j.1. Presentation of finance lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	560,948	462,386	494,985	403,078
1-4 Years	839,058	724,509	882,020	765,864
More than 4 Years	206,619	194,435	222,360	205,170
Total	**1,606,625**	**1,381,330**	**1,599,365**	**1,374,112**

j.2. Information regarding net investments made on finance lease:

	Current Period *(1)*	Prior Period
Gross Finance Lease Investment	1,606,625	1,599,365
Unearned Finance Revenue from Finance Lease (-)	225,295	225,253
Net Finance Lease Investment	**1,381,330**	**1,374,112**

(1) Portfolio of non-performing lease receivables in the current year, part of the 15,931 TL which is consisting of 5,580 TL receivables previously written off transferred to the LBT Varlık Yönetim A.S. as a value of TL 189.

j.3. Presentation of operating lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	3,125	3,125	2,278	2,278
1-4 Years				
More than 4 Years				
Total	**3,125**	**3,125**	**2,278**	**2,278**

k. Explanations on derivative financial assets held for risk management:

The Group has no derivative financial assets held for risk management.

l. Information on Tangible Assets (Net):

Current Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,773,052	8,769	21,611	1,543,262	5,346,694
Movements in the Period					
- Acquisitions (1)	176,694	30,220	1,950	190,480	399,344
- Disposals	(167,825)	(7,935)	(3,815)	(34,812)	(214,387)
- Impairment (2)	7,110			10	7,120
- Transfers	(55,835)	37,499		(60,177)	(78,513)
- Foreign Currency Difference	(10,525)		(9)	(932)	(11,466)
Balance at the End of the Current Period	3,722,671	68,553	19,737	1,637,831	5,448,792
Accumulated Depreciation					
Balance at the Beginning of the Period	(2,235,018)		(16,096)	(928,728)	(3,179,842)
Movements in the Period					
- Depreciation Charge	(55,832)		(2,443)	(145,765)	(204,040)
- Disposals	47,520		3,567	19,419	70,506
- Impairment	775			(20)	755
- Transfers	(3,541)		27	3,438	(76)
- Foreign Currency Difference	3,062		5	622	3,689
Balance at the End of the Current Period	(2,243,034)		(14,940)	(1,051,034)	(3,309,008)
Net Book Value at the End of the Prior Period	1,538,034	8,769	5,515	614,534	2,166,852
Net Book Value at the End of the Current Period	**1,479,637**	**68,553**	**4,797**	**586,797**	**2,139,784**

(1) As at the balance sheet date, the Bank's book value of tangible assets acquired through financial leasing TL 685, and there is TL 16 entry in the current period. Book value of tangible assets which is obtained in return of receivables during the year is TL 160,056.
(2) They are the impairment releases related to the real estates, whose fair values have increased due to their renewed appraisals.

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

Prior Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,716,907	11,566	20,018	1,259,693	5,008,184
Movements in the Period					
- Acquisitions (1)	45,745	7,103	1,149	270,125	324,122
- Disposals	(84,819)	(113)	(968)	(54,680)	(140,580)
- Impairment (2)	5,030			19	5,049
- Transfers	50,100	(9,897)	472	61,079	101,754
- Foreign Currency Difference	7,608		29	3,762	11,399
- Impact of Consolidated Subsidiaries	32,481	110	911	3,264	36,766
Balance at the End of the Current Period	3,773,052	8,769	21,611	1,543,262	5,346,694
Accumulated Depreciation					
Balance at the Beginning of the Period	(2,183,844)		(13,332)	(811,375)	(3,008,551)
Movements in the Period					
- Depreciation Charge	(54,262)		(3,055)	(133,640)	(190,957)
- Disposals	20,479		798	18,542	39,819
- Impairment					
- Transfers	(13,465)		76	3,065	(10,324)
- Foreign Currency Difference	(2,080)		(25)	(3,207)	(5,312)
- Impact of Consolidated Subsidiaries	(1,846)		(558)	(2,113)	(4,517)
Balance at the End of the Current Period	(2,235,018)		(16,096)	(928,728)	(3,179,842)
Net Book Value at the End of the Prior Period	1,533,063	11,566	6,686	448,318	1,999,633
Net Book Value at the End of the Current Period	**1,538,034**	**8,769**	**5,515**	**614,534**	**2,166,852**

(1) As at the balance sheet date, the Bank's book value of tangible assets acquired through financial leasing TL 5,916(2011: TL 22,091), and there is no entry in the current period. Book value of tangible assets which is obtained in return of receivables during the year is TL 45,174.
(2) They are the impairment releases related to the real estates, whose fair values have increased due to their renewed appraisals.

m. Information on Intangible Assets:

Explanation regarding consolidation goodwill that is included in intangible assets is given in Section Three under the caption of "XII. Explanations on Goodwill and Other Intangible Assets." The table consisting movements of other intangible assets are presented below.

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	325,369	217,299
Movements in the Period		
- Acquisitions	140,075	96,988
- Disposals	(58)	(2,614)
- Impairment (-)		
- Transfers		10,800
- Foreign Currency Difference	(600)	2,896
- Impact of Consolidated Subsidiaries		
Balance at the End of the Period	464,786	325,369
Accumulated Amortization		
Balance at the Beginning of the Period	(234,607)	(168,355)
Movements in the Period		
- Amortization Charge (-)	(77,146)	(53,468)
- Disposals	58	270
- Impairment		
- Transfers		(10,242)
- Foreign Currency Difference	562	(2,812)
- Impact of Consolidated Subsidiaries		
Balance at the End of the Current Period	(311,133)	(234,607)
Net Book Value at the End of the Prior Period	90,762	48,944
Net Book Value at the End of the Period	**153,653**	**90,762**

n. Information on investment property:

Investment properties are properties that the Group holds to earn rentals. Explanations on these subjects are given in Section Three Note XIV.

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	1,270,234	1,454,485
Movements in the Period		
- Acquisitions	174,763	28,291
- Disposals (-)	(827)	(486)
- Impairment	3,275	(103,007)
- Transfers	(80,017)	(109,049)
- Impact of Consolidated Subsidiaries		
Balance at the End of the Period	1,367,428	1,270,234
Accumulated Amortization		
Balance at the Beginning of the Period	(232,940)	(212,328)
Movements in the Period		
- Depreciation Charge (-)	(25,860)	(31,693)
- Disposals		207
- Impairment		
- Transfers	76	10,874
Balance at the End of the Current Period	(258,724)	(232,940)
Net Book Value at the End of the Prior Period	1,037,294	1,242,157
Net Book Value at the End of the Period	**1,108,704**	**1,037,294**

o. Information on deferred tax asset:

As of 31 December 2012, the Parent Bank and the other consolidated Group companies has deferred tax asset amounting to TL 703,973. Such deferred tax asset is calculated based on the temporary differences between the book value of assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items.

	Current Period	Prior Period
Tangible Assets Base Differences	26,876	25,851
Provisions (1)	(496,153)	(470,292)
Finance Lease Income Accruals	3,200	4,072
Valuation of Financial Assets	(157,305)	(93,929)
Other (2)	(80,591)	(101,486)
Net Deferred Tax (Asset)/Liability:	**(703,973)**	**(635,784)**

(1) Comprised of employee termination benefits, actual and technical deficits of the pension fund, insurance technical provisions, the provisions for credit card bonus points, and other provisions.

(2) The investment incentive application has ceased starting from 1 January 2006 and the investment incentives of companies, which have not been used as at 31 December 2005 are enabled to be used by deducting from incomes of years 2006, 2007 and 2008; and it is stated that the amount, if not deducted from the 2008 income, will not be transferred to other periods. On the other hand, the Court of Constitution has cancelled this regulation that removes the gained rights at the meeting on 15 October 2009, finding it against the Constitution, and in this way, the time limitation with respect to the investment incentive was removed as at the date of reporting. The related decision was published on the Official Gazette dated 8 January 2010. Within this context, İş Finansal Kiralama A.Ş., one of the consolidated companies, has TL 381,486 unused investment incentive and TL 42,721 (31 December 2011: TL 62,775) of the "Other" item on the above table consists of the deferred tax amount calculated over the related investment incentive.

The movement of deferred tax asset is as follows:

	Current Period	Prior Period
Balance at the Beginning of the Period	631,694	815,924
Deferred Tax Benefit / (Charge) (Net)	304,553	(313,445)
Deferred Tax Recognized under Equity	(239,600)	127,028
Foreign Currency Difference	56	(205)
Impact of Consolidated Subsidiaries		2,392
Deferred Tax Asset (1)	**696,703**	**631,694**

(1)In the current period consolidated financial statements, deferred tax asset amounts to TL 703,973 and the deferred tax liability amounts to TL 7,270; the movement table states the net balance. Explanations on deferred tax liability are given in Section Five footnote II i.2.

p. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Net Book Value at the Beginning of the Period	60,256	54,233
Additions	1,089	66,563
Transfers (Net)	79,017	6,187
Disposals (-) (Net)	(65,753)	(63,976)
Impairment Losses (-)		
Depreciation	(1,314)	(2,751)
Net Book Value at the End of the Period	**73,295**	**60,256**

The Group has no discontinued operations. The assets classified as "Assets Held for Sale" of the Group consist of real estates. Those real estates of the Parent Bank subject to sale are announced on the Parent Bank's web site. Announcements about the real estates subject to sale are also made by means of newspaper advertisements and similar media.

q. Information on Other Assets of the Group:

The "other assets" item does not exceed 10% of total assets.

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II. Disclosures and Footnotes On Consolidated Liabilities

a. Information on Deposits:

a.1. The maturity structure of deposits (Current Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,580,363		4,031,259	30,161,742	897,622	328,138	454,004		41,453,128
Foreign Currency Deposits	7,107,652		5,850,945	16,654,919	1,814,221	954,654	4,945,861		37,328,252
Residents in Turkey	6,216,006		5,225,162	15,427,113	1,050,275	332,186	2,128,909		30,379,651
Residents Abroad	891,646		625,783	1,227,806	763,946	622,468	2,816,952		6,948,601
Public Sector Deposits	492,556		34,022	821,728	2,091	127	429		1,350,953
Commercial Deposits	4,967,759		2,398,335	5,186,234	143,335	16,225	72,689		12,784,577
Other Institutions Deposits	211,261		200,728	6,557,278	31,578	1,096	1,390		7,003,331
Precious Metals Deposits	2,751,819		116,440	4,751	1	4,827	969		2,878,807
Interbank Deposits	235,228		842,336	1,505,097	193,790	17,406	417,955		3,211,812
The Central Bank of Turkey	56,997								56,997
Domestic Banks	7,994		627,516	283,963	120,194	2,103	19,314		1,061,084
Foreign Banks	163,105		214,820	1,221,134	73,596	15,303	398,641		2,086,599
Participation Banks	7,132								7,132
Other									
Total	**21,346,638**		**13,474,065**	**60,891,749**	**3,082,638**	**1,322,473**	**5,893,297**		**106,010,860**

a.2. The maturity structure of deposits (Prior Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,005,140		4,200,439	28,040,187	2,412,466	503,674	501,736		40,663,642
Foreign Currency Deposits	6,296,721		5,781,985	16,412,530	2,077,563	892,481	3,980,190		35,441,470
Residents in Turkey	5,611,233		5,313,900	15,681,856	1,753,633	401,050	1,695,488		30,457,160
Residents Abroad	685,488		468,085	730,674	323,930	491,431	2,284,702		4,984,310
Public Sector Deposits	208,535		419,186	398,015	5,457	168	678		1,032,039
Commercial Deposits	4,521,788		1,444,240	4,445,532	166,144	22,173	132,616		10,732,493
Other Institutions Deposits	273,119		607,730	2,949,255	664,662	1,609,254	1,553		6,105,573
Precious Metals Deposits	2,479,052								2,479,052
Interbank Deposits	270,076		550,609	865,146	197,758	148,420	345,718		2,377,727
The Central Bank of Turkey	83,478								83,478
Domestic Banks	11,135		48,085	291,269	97,408		2,067		449,964
Foreign Banks	172,094		502,524	573,877	100,350	148,420	343,651		1,840,916
Participation Banks	3,369								3,369
Other									
Total	**19,054,431**		**13,004,189**	**53,110,665**	**5,524,050**	**3,176,170**	**4,962,491**		**98,831,996**

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

a.3. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund exceeding the insurance limit:

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	17,246,503	16,344,278	23,879,880	24,004,306
Foreign Currency Savings Deposits	6,101,391	5,949,499	16,103,380	14,165,256
Other Deposits in the Form of Savings Deposits	1,518,080	1,293,378	1,205,813	1,085,426
Foreign Branches' Deposits Under Foreign Authorities' Insurance	2,375,931	2,207,773	103,711	53,161
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			28,337	17,827

a.4. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Saving Deposits and Other Accounts	346,412	281,487
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	9,769	8,957
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code Numbered 5237 and Dated 26 September 2004		
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey		

b. Information on Derivative Financial Liabilities Held for Trading:

Negative differences on derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	13,362	47,436	103,796	124,384
Swap Transactions	372,702	283,920	363,765	233,635
Futures	124		873	339
Options	6,226	34,645	269	43,930
Other	1,302	723	2,333	42,762
Total	**393,716**	**366,724**	**471,036**	**445,050**

c. Information on Funds Borrowed:

c.1. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds borrowed from the Central Bank of Turkey				
Domestic banks and institutions	1,003,219	548,672	501,011	766,941
Foreign banks, institutions and funds	843,131	16,677,765	41,140	17,470,183
Total	**1,846,350**	**17,226,437**	**542,151**	**18,237,124**

c.2. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,790,826	5,976,423	491,721	6,539,309
Medium and Long-term	55,524	11,250,014	50,430	11,697,815
Total	**1,846,350**	**17,226,437**	**542,151**	**18,237,124**

c.3. Information on funds borrowed:

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

Syndicated loans:

Date of Use	Funds Borrowed	Maturity
May 2012	USD 241,000,000 + EUR 742,500,000	1 year (with 1 year extension option)
September 2012	USD 404,500,000 + EUR 572,600,000	1 year (with 1 year extension option)
July 2012	USD 15,000,000 + EUR 65,000,000	1 year

Securitization deals:

The Parent Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through TIB Diversified Payment Rights Finance Company, and all its claims and receivables based on FC debit and credit card receivables through TIB Card Receivables Funding Company Limited, both of which are special purpose vehicles established abroad.

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

Information on funds received through securitization is given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as of 31 December 2012
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 32,000,000
May 2005	TIB Diversified Payment Rights Finance Company	USD 700,000,000	5-8 years	USD 25,000,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 70,849,231
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 184,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 235,000,000
October 2011	TIB Diversified Payment Rights Finance Company	USD 75,000,000	5 years	USD 75,000,000
October 2011	TIB Diversified Payment Rights Finance Company	EUR 160,000,000	5-7 years	EUR 160,000,000
June 2012	TIB Diversified Payment Rights Finance Company	USD 225,000,000	5 years	USD 225,000,000
June 2012	TIB Diversified Payment Rights Finance Company	EUR 125,000,000	12 years	EUR 125,000,000

d. Information on Marketable Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	3,487,256		1,888,329	
Bonds	1,191,118	1,797,989	934,096	943,451
Total	**4,678,374**	**1,797,989**	**2,822,425**	**943,451**

Concentration of the liabilities of the Group:

Of the Group's liabilities 53% are comprised of deposits, 7% are comprised of funds provided from repurchase agreements and 9% are comprised of funds borrowed and marketable securities issued. Deposits are distributed among a large variety of customers with different characteristics. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. No risk concentration exists related to the Group's liabilities.

e. Information on Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

f. Information on Lease Payables (Net):

The group does not have any liabilities resulting from finance lease transactions.

g. Information on Derivative Financial Liabilities Held for Risk Management:

The Group does not have any derivative financial liabilities held for risk management purposes.

h. Information on Provisions:

h.1. Information on general loan loss provisions:

	Current Period	Prior Period
General Loan Loss Provisions	1,705,153	1,315,935
Provision for Group I Loans and Receivables	1,426,251	1,103,000
- Additional Provision for Loans and Receivables with Extended Maturities	78,367	46,652
Provision for Group II Loans and Receivables	70,237	39,143
- Additional Provision for Loans and Receivables with Extended Maturities	7,257	3,182
Provision for Non-cash Loans	129,773	119,374
Other	78,892	54,418

h.2. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreements, the Parent Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 3,033.98 (full TL amount as of 31 December 2012), which is one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits. On Group basis, as of 31 December 2012 TL 377,765 provision was set aside and reflected to the financial statements (31 December 2011: TL 260,666).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- discount and inflation rates, which vary by years, were used for the calculation and the real rate of increase in salaries was taken as 2%.
- TL 3,033.98 (full TL amount) salary ceiling, which was effective as at 31 December 2012 was taken into account for the calculations.
- the age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees

The movements related to provision for employee termination benefits are given below.

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	260,666	222,643
Service Cost	23,821	20,596
Interest Cost	26,076	19,926
Benefits paid	(21,482)	(21,491)
Loss/(Gain) due to Settlements / Reductions / Terminations	3,475	729
Actuarial loss/(gain)	85,209	18,263
Impact of Consolidated Companies		
Defined benefit obligation at the end of the period	**377,765**	**260,666**

In addition to the employee termination benefits, the Parent Bank and consolidated Group companies also allocate provisions for the unused vacation pay liability. As of 31 December 2012, provision for unused vacation pay is amounting to TL 28,926 (31 December 2011: TL 26,790).

h.3. Provisions for exchange losses in the principal amount of foreign currency indexed loans:

Since foreign currency indexed loans are followed based on the rates on the lending date, the Parent Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As of 31 December 2012, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 17,042 and this amount is offset against foreign currency indexed loan balance in the financial statements.

h.4. Specific provisions for non-cash loans, which are not indemnified and not converted into cash:

As of 31 December 2012, TL 102,568 provision (31 December 2011: TL 85,392) is allocated for the non-cash loans of companies whose loans are followed under non-performing loans accounts.

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

h.5. Information on other provisions:

h.5.1. Provisions for potential risks:

The Bank management provided a general provision for the possible result of the negative circumstances which may arise from any changes in economy or market conditions amounting TL 1,000,000 thousands, TL 50,000 thousands of which was charged to the income statement as expense in the current period.

h.5.2. Liabilities arising from retirement benefits:

Liabilities of pension funds founded as per the Social Security Institution:

Within the scope of the explanations given in Section Three Note XVIII, in the actuarial report which was prepared as of 31 December 2012 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act numbered 506, the amount of actuarial and technical deficit stands at TL 1,778,210. The Parent Bank, provide provisions for the foundation which is situated in the income statement for the previous years as a amount of the TL 1,338,159 with newly identified amount of TL 440,051 additional provision for the difference.

As a result of the actuarial valuation of Milli Reasürans T.A.Ş., besides the Parent Bank, as of 31 December 2012, the amount of actuarial and technical deficit was determined to be TL 31,095.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of 31 December 2012, in other words, it measures the amount to be paid to the Social Security Institution by the Parent Bank.

- 9.8% technical deficit interest rate is used.
- Published in the Official Gazette numbered 28533 dated 19 January 2013 with Law numbered 6385, after the date of 01.09.2013 taking into account the insurance premium is fixed by 2% and the total premium rate is 33.5% until the date of 31.08.2012, after the date of 01.09.2013, the total premium rate is 34.5%.
- CSO 1980 mortality table is used.
- Collective agreement that ended on 31.03.2012, from the date of the renewal process 01.04.2012 has not been expired yet, fee increases determined within the cautious approach in the account.

On the other hand "Provisional Article 39" is added to Social Security and General Health Insurance Law numbered 5510 via Amendment to Social Security and General Health Insurance Law numbered 6283 published in the Official Gazette dated 8 March 2012 and numbered 28227. According to aforementioned amendment, while members payments which is paid for retired or died before January 2000 and entitled invalidity, old-age pension per indexed system of the Law numbered 506 and members' payments, which is paid for invalidity or old-age before January 2000 and died after this date, will be recalculated. This application will be used from the date of 1 January 2013. In this context, actuarial calculation, invalidity, elderliness or survivor's pension who take salary to the foundation mentioned calculation made considering regulation. The amount of the actual and Technical Deficit played an important role in the regulation which mentioned like increase over the previous year.
Below table shows the cash values of premium and salary payments of the Parent Bank as of 31 December 2012, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(4,323,548)	(3,666,014)
Net Present Value of Long Term Insurance Line Premiums	1,779,033	1,562,338
Net Present Value of Total Liabilities Other Than Health	**(2,544,515)**	**(2,103,676)**
Net Present Value of Health Liabilities	(581,571)	(482,099)
Net Present Value of Health Premiums	1,014,295	929,964
Net Present Value of Health Liabilities	**432,724**	**447,865**
Pension Fund Assets	**333,581**	**317,652**
Amount of Actuarial and Technical Deficit	**(1,778,210)**	**(1,338,159)**

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	210,692	196,541
Securities Portfolio	96,928	94,007
Other	25,961	27,104
Total	**333,581**	**317,652**

Currently, the paid health benefits, the Social Security Administration will be determined within the framework of legislation and related regulations.

i. Information on Tax Liability:

i.1. Information on current tax liability:

i.1.1. Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in Note XXI of Section 3. The remaining corporate tax liability of the Parent Bank and the consolidated companies after the deduction of the temporary tax amount stands at TL 394,486 as of 31 December 2012.

i.1.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	394,486	205,315
Tax on Securities Income	100,471	117,197
Tax on Real Estate Income	2,424	1,893
Banking Insurance Transaction Tax	81,768	66,255
Foreign Exchange Transaction Tax	25	28
Value Added Tax Payable	6,417	1,344
Other	33,111	32,419
Total	**618,702**	**424,451**

i.1.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	1,093	1,314
Social Security Premiums - Employer	1,186	1,515
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees	1,034	1,153
Pension Fund Membership Fees and Provisions-Employer	21	30
Unemployment Insurance - Employees	764	1,807
Unemployment Insurance – Employer	1,522	3,459
Other	261	262
Total	**5,881**	**9,540**

i.2. Information on deferred tax liabilities:

The Parent Bank and the consolidated Group companies have TL 7,720 deferred tax liability as of 31 December 2012. The related deferred tax liability is calculated over the temporary differences between the book values of assets and liabilities in the records and their tax base values calculated according to tax.

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

Deferred Tax Liability:	Current Period	Prior Period
Tangible Assets Tax Base Differences	1,416	2,197
Provisions [1]	(2,466)	(251)
Valuation of Financial Assets	7,483	1,844
Other	837	300
Net Deferred Tax Liability	**7,270**	**4,090**

(1) Comprised of employee benefits provisions.

j. Information on payables for assets held for sale and discontinued operations:

The Group does not have any payables for assets held for sale and discontinued operations.

k. Explanations on subordinated debts:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks				
Other Domestic Institutions				
Foreign Banks				
Other Foreign Institutions		1,893,576		95,000
Total		**1,893,576**		**95,000**

The Parent Bank, issued 10 year- term bond with a nominal value of USD 1,000,000,000 which is like subordinated loans for the individual and legal persons who are resident abroad. The Bond which has TL 1,804,451 balance sheet value at the end of the period has 6% interest rate.

TSKB, consolidated subsidiary of the Parent Bank, has used a subordinated debt amounting USD 50 million from International Finance Corporation through direct financing on 5 November 2004. The maturity date of the subordinated debt with interest rate of Libor +3.25% and without any repayment of principal in the first five years is 15 October 2016.

l. Information on consolidated shareholders' equity:

l.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,499,970	4,499,970
Preferred shares	30	30
Total	**4,500,000**	**4,500,000**

l.2. Explanation as to whether the registered share capital system ceiling is applicable at bank, if so, the amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	10,000,000

The Bank's capital ceiling was raised to TL 10,000,000 from TL 7,000,000 in the current period.

l.3. The capital increase made in current period: None.

l.4. Capital increase through transfer from capital reserves during the current period: None.

l.5. Significant commitments of the Parent Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: There are no capital commitments.

l.6. Information regarding the shares of the company acquired; Parent bank and group companies did not acquired their own share.

l.7. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Group's equity: The Parent Bank's and the Group companies' balance sheets are managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level and this contributes positively to the Group's profitability performance.

l.8. Privileges Granted to Shares:

Group (A) shares each with a nominal value of 1 Kuruş have the privileges of;

- receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation),
- exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and
- 20 voting rights (Article 49 of the Articles of Incorporation).

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kuruş, have the same rights with the Group (C) shares having a nominal value of 4 Kuruş each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kuruş, are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

l.9. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities	1,556,431		1,416,409	
Valuation Difference	1,556,431		1,416,409	
Foreign Exchange Differences				
Financial Assets Available for Sale	582,156	474,466	(395,965)	139,462
Valuation Difference	735,080	475,221	(462,711)	139,462
Deferred Tax Effect on Valuation	(152,924)	(755)	66,746	
Foreign Exchange Differences				
Total	**2,138,587**	**474,466**	**1,020,444**	**139,462**

m. Explanations on Non-controlling Interest:

	Current Period	Prior Period
Paid-in Capital	1,846,726	1,654,237
Share Premium	5,406	5,409
Marketable Securities Revaluation Reserve	215,144	17,442
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	1,179	1,179
Legal Reserves	170,317	145,320
Statutory Reserves	40,389	31,584
Extraordinary Reserves	279,587	341,143
Other Profit Reserves	517	70
Prior Years' Profit / Loss	(2,011)	109,425
Current Year Profit/ Loss [1]	334,563	164,641
Period Ending Balance	**2,891,817**	**2,470,450**

[1] Difference between effective and direct shareholding rate was TL 31,851 in the current period (31 December 2011: TL 46,812).

III. Disclosures and Footnotes on Consolidated Off-Balance Sheet Items

a. Explanations to Liabilities Related to Off-balance Sheet Items:

a.1. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 15,742,457 and commitment to pay for cheque leaves amounts to TL 6,214,562. The amount of commitment for the forward purchase of assets is TL 447,164 and for the forward sale of assets is TL 448,108.

a.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items. Commitments are shown in the table of "Off-Balance Sheet Items".

a.3. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	1,298,250	876,324
Letters of Credit	5,220,486	5,761,529
Other Guarantees	631,010	714,960
Total	**7,149,746**	**7,352,813**

a.4. Certain guarantees, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Letters of Tentative Guarantees	1,114,185	1,201,212
Letters of Certain Guarantees	16,125,063	13,702,059
Letters of Advance Guarantees	3,881,401	3,005,909
Letters of Guarantee Given to Customs Offices	1,053,538	905,572
Other Letters of Guarantee	773,274	1,109,521
Total	**22,947,461**	**19,924,273**

a.5. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	846,859	417,207
With Original Maturity of 1 Year or Less	175,287	87,345
With Original Maturity More Than 1 Year	671,572	329,862
Other Non-cash Loans	29,250,348	26,859,879
Total	**30,097,207**	**27,277,086**

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a. 6. Sectoral Risk Concentration of Non-cash Loans:

	Current Period				Prior Period			
	TL	**(%)**	**FC**	**(%)**	**TL**	**(%)**	**FC**	**(%)**
Agriculture	130,276	1.01	29,364	0.17	114,771	1.11	40,730	0.24
Farming and Stockbreeding	80,122	0.62	21,051	0.12	56,855	0.55	34,295	0.20
Forestry	47,384	0.37	6,790	0.04	56,802	0.55	6,088	0.04
Fishery	2,770	0.02	1,523	0.01	1,114	0.01	347	0.00
Industry	4,471,797	34.64	9,549,668	55.56	3,257,286	31.61	10,170,314	59.92
Mining and Quarrying	125,429	0.97	140,957	0.82	101,355	0.98	120,057	0.71
Manufacturing	2,828,465	21.91	7,381,685	42.94	2,397,658	23.27	7,745,269	45.63
Electricity, Gas, Water	1,517,903	11.76	2,027,026	11.80	758,273	7.36	2,304,988	13.58
Construction	2,151,167	16.67	1,996,011	11.61	1,967,551	19.09	2,022,130	11.91
Services	5,993,371	46.43	3,987,520	23.20	4,841,651	46.99	3,099,160	18.27
Wholesale and Retail Trade	3,471,452	26.89	1,924,175	11.19	3,008,701	29.21	1,628,775	9.60
Hotel and Restaurant Services	106,912	0.83	29,612	0.17	100,326	0.97	19,355	0.11
Transportation and Communication	404,301	3.13	983,744	5.72	262,982	2.55	846,567	4.99
Financial Institutions	1,276,326	9.89	553,097	3.22	947,143	9.19	281,647	1.66
Real Estate and Rental Services	255,909	1.98	268,813	1.56	248,303	2.41	188,061	1.11
Self-Employed Services	399,197	3.09	207,425	1.21	205,340	1.99	118,123	0.70
Educational Services	18,859	0.15	7,475	0.04	16,043	0.16	6,926	0.04
Health and Social Services	60,415	0.47	13,179	0.09	52,813	0.51	9,706	0.06
Others	161,496	1.25	1,626,537	9.46	123,600	1.20	1,639,893	9.66
Total	**12,908,107**	**100.00**	**17,189,100**	**100.00**	**10,304,859**	**100.00**	**16,972,227**	**100.00**

a.7. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	**FC**	**TL**	**FC**
Non-cash Loans	**12,829,779**	**17,040,506**	**78,328**	**148,594**
Letters of Guarantee	12,674,807	10,061,390	78,328	132,936
Bank Acceptances	19,739	1,278,511		
Letters of Credit		5,204,828		15,658
Endorsements				
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees	69,042	18,083		
Other Guaranties and Warranties	66,191	477,694		

b. Information on Derivative Financial Instruments:

Majority of the Group's derivative transactions comprise foreign currency and interest rate swaps, forward foreign exchange trading, currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "held for trading purposes" within the framework of TAS 39 "Financial Instruments: Recognition and Measurement".

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c. Explanations Related to Contingencies and Commitments:

As of 31 December 2012, balance of the "Other Irrevocable Commitments" account, which comprised the letters of guarantees, guarantees and commitments submitted by the Group pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Parent Bank and the commitments due to housing loans extended within the scope of unfinished house projects followed, amounts to TL 8,040,797. As of 31 December 2012, liability of the Parent Bank regarding the cheques given to customers is presented under off balance sheet commitments, as per the related regulations is amounting to TL 6,124,562. In case the cheques presented for payment to beneficiaries are not covered, the Parent Bank will be obliged to pay the uncovered amount up to TL 615 (full amount expressed) for the cheques that are subject to the Law numbered 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", and up to TL 1,045 (full amount) for the cheques that are subject to the "Cheque Law" numbered 5941. The uncollected amount will be followed under "Indemnified Non-Cash Loans".

On the other hand, according to the decision numbered 11-55/1438 dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the parent bank, allegedly violating the fourth substance of Law numbered 4054 is continuing. As determined by Bank's management all activities subject to investigation is in conformity with the legislation, therefore, provided no provision as of 31 December 2012.

The Bank made payments (contribution) to "Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı " which is founded according to Turkish Commercial Law and Civil Law. The Bank made contribution for related legislation to fulfill its obligations to the Foundation. In relation to the contributions made by the Bank Tax Audit Committee was conducted an inspection by their inspectors. As a result of this review, the amount of the liability, at the time of payment, for the members of the foundation worker has an interest in the nature of fee thus it comes to income tax withholding, penalty of payments / penalty to be stamp duty on the cut right on account of an investigation report was prepared for the periods of 2007 and 2008. According to this report, to the Bank, penalize income tax / stamp duty performed assessments in regarding to the mentioned period at the date 14.02.2013 the total 73.7 million income tax penalty notification was notified. The evaluation of the subject that the Bank's implementation is compliance with the legislation, there is no legal basis for the tax administration's suspended assessments, therefore, there is no provision need not considered and The Bank has used the legal rights of that assessment. Therefore, no provision has provided as of 31 December 2012.

d. Explanations related to transactions made on behalf of or on the account of others:

It is explained in Note XIV under Section Four.

IV. Disclosures and Footnotes on the Consolidated Income Statement

a. Interest Income

a.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest Income on Loans [1]				
Short-term Loans	3,426,444	356,691	2,412,409	250,411
Medium and Long-term Loans	4,484,870	1,686,085	3,362,099	1,202,446
Interest on Non-performing Loans	166,915	8,958	266,741	4,711
Premiums Received from State Resource Utilization Support Fund				
Total	**8,078,229**	**2,051,734**	**6,041,249**	**1,457,568**

[1] *Includes fee and commission income on cash loans.*

a.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
The Central Bank of Turkey				
Domestic Banks	143,407	45,940	99,912	76,607
Foreign Banks	3,777	6,656	5,722	11,891
Foreign Head Offices and Branches				
Total	**147,184**	**52,596**	**105,634**	**88,498**

a.3. Information on interest income from securities:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest Income on Financial Assets Held for Trading	96,361	2,894	63,131	780
Interest Income on Financial Assets at Fair Value through Profit and Loss				
Interest Income on Financial Assets Available for Sale [1]	2,149,744	344,914	1,960,394	432,535
Held to Maturity Investments [1]	1,541,428	121	1,763,316	482
Total	**3,787,533**	**347,929**	**3,786,841**	**433,797**

[1] *Total of TL 1,458,756 of interest income from related investments stems from inflation-indexed government bonds (31 December 2011: TL 1,462,732).*

a.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Income from Associates and Subsidiaries	3,960	3,764

b. Interest Expense

b.1. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	96,988	184,724	53,548	204,591
Central Bank of Turkey	4		421	
Domestic Banks	45,400	21,835	31,604	16,283
Foreign Banks	51,584	162,889	21,523	188,308
Foreign Head Offices and Branches				
Other Institutions	1	136,025		115,311
Total [1]	**96,989**	**320,749**	**53,548**	**319,902**

[1] *Includes fee and commission expenses from cash loans.*

b.2. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	31,308	19,354

b.3. Information on interest paid on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued	385,209	69,049	167,914	41,792

b.4. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits						Total
		Up to One Month	Up to Three Months	Up toSix Months	Up to One Year	Over One Year	Accumulated Deposits	
TL								
Bank Deposits	1	7,977	64,301	10,638	1,598	109		84,624
Savings Deposits	8	250,536	2,641,686	150,536	37,642	41,845		3,122,253
Public Sector Deposits		2,210	5,999	138	5	41		8,393
Commercial Deposits	42	164,949	422,432	23,584	1,910	13,828		626,745
Other Institutions Deposits	2	32,851	457,570	48,381	9,621	115		548,540
Deposits with 7 Days Notice								
Total	53	458,523	3,591,988	233,277	50,776	55,938		4,390,555
FC								
Foreign Currency Deposits	800	119,889	592,797	101,473	28,325	129,883		973,167
Bank Deposits	34	5,398	25,016	6,849	1,191	6,565		45,053
Deposits with 7 Days Notice								
Precious Metals Deposits					304	15		319
Total	834	125,287	617,813	108,322	29,820	136,463		1,018,539
Grand Total	**887**	**583,810**	**4,209,801**	**341,599**	**80,596**	**192,401**		**5,409,094**

c. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading	3,462	3,819
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	4,658	4,267
Other	196,912	163,391
Total	**205,032**	**171,477**

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d. Information on trading income/losses (Net):

	Current Period	Prior Period
Profit	**54,041,593**	**85,788,921**
Securities Trading Gains	1,540,471	258,036
Gains on Derivative Financial Instruments	3,121,820	4,460,110
Foreign Exchange Gains	49,379,302	81,070,775
Losses (-)	**53,170,523**	**85,342,008**
Securities Trading Losses	773,294	126,005
Losses on Derivative Financial Instruments	3,417,322	4,145,245
Foreign Exchange Losses	48,979,907	81,070,758
Trading Income/Losses (Net)	**871,070**	**446,913**

As of 31 December 2012, income arising from foreign currency changes related to derivative transactions amounting TL 2,251,767, and the losses amounting TL 2,330,662 and the amount of net profit is TL 78,895 (31 December 2011 profit: TL 3,364,318; loss: TL 584,517).

e. Information on other operating income:

As at reporting period, TL 3,193,334 of other operating income sources from inclusion and classification of operations of insurance and reinsurance companies; 95% of which is from insurance premiums. Other items of the other operating income are composed of collections and cancellations of the provisions set aside in prior years for various reasons mainly for non-performing loans. The rest of income consists of sales profit of subsidiaries, associates and tangible assets, fee income received from customers on various banking services.

In prior period, operating income of insurance and reinsurance companies in this item is TL 2,565,661; 92% of which is from insurance premiums.

f. Information on provision for impairment on loans and other receivables:

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

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

g. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	2,198,868	2,155,047
Reserve for Employee Termination Benefits	117,127	38,038
Bank Pension Fund Deficit Provisions	445,976	24,311
Impairment Losses on Tangible Assets	288	
Depreciation Expenses of Tangible Assets	222,005	217,779
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	77,146	53,468
Impairment Losses on Investments Accounted Under Equity Method		
Impairment Losses on Assets to be Disposed	1,803	1,197
Depreciation Expenses of Assets to be Disposed	9,209	7,622
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	1,407,119	1,286,879
Operational Lease Related Expenses	166,896	149,377
Repair and Maintenance Expenses	31,955	28,471
Advertisement Expenses (1)	178,635	182,027
Other Expenses (1)	1,029,633	927,004
Loss on Sale of Assets	4,554	2,073
Other (2)	3,299,278	2,829,381
Total	**7,783,373**	**6,615,795**

(1) Expense amount of the group's donation, contributions and social responsibility projects is TL 31,074 in the current period.
(2) A portion of the net profit for the period is distributed as a dividend to employees taking into consideration, provision for the dividend to be distributed to employees in accordance with "IAS 19-Employee Benefits" and also includes the provision related to period for possible wage increase taking into account of renewing collective bargaining agreement, which is ended in the current period, have not yet been completed.

On the table above, TL 2,481,949 of other operating expense includes insurance and reinsurance companies' expenses which are related with their operations. The paid claims comprise almost the total of this amount in the current period, too.

In prior period, TL 2,304,799 of other operating expense included insurance and reinsurance companies' expenses and 13% of that amount consists of technical provisions and 87% of that amount is compensation paid expenses.

h. Information on profit/loss before taxes including profit/loss from continuing and discontinued operations

The Group's profit before tax is generated from its continuing operations. The profit before tax consists of net interest income of TL 6,842,265, net fee and commission income of TL 1,258,319 and the other operation expenses amount to TL 7,783,373.

i. Information on Provision for taxes including taxes from continuing and discontinued operations

As of 31 December 2012 the amount of the Group's tax provision is TL 958,912 and the amount consists of current tax expense that is amounting to TL 1,263,465 and consists of deferred tax income amounting TL 304,533.

j. Information on net operating profit/loss after taxes including net profit/loss from continuing and discontinued operations:

The Group's net profit generated from its continuing operations amounts to TL 3,714,734.

k. Information on net period profit/loss:

k.1. Income and expense resulting from ordinary banking activities: There is no specific issue required to be disclosed for the Group's performance for the period between 01.01.2012 – 31.12.2012.

k.2. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed

k.3. 'Other'' item which is included in "received fees and commissions" in the income statement consist of various fees and commissions received from transactions such as credit card transactions, capital market transactions and insurance-reinsurance transactions.

k.4. Other items do not exceed 10% of the total amount of the income statement.

l. Net profit / loss of non-controlling Interest:

	Current Period	Prior Period
Net Profit / Loss of Non-controlling Interest	302,712	117,829

V. Disclosures and Footnotes on Consolidated Statement of Changes in Shareholders' Equity

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 2,031,309 and the balance of extraordinary reserves is TL 8,318,990.

In the current period, the change in other reserves item is a result of the conversion profits of foreign branches and financial institutions.

The details of revaluation surplus account of securities are shared in the Note no. V-II-l-9. TL (152,924) of this amount is the deferred tax effect on available for sale securities (31 December 2011: TL 66,746).

VI. Disclosures and Footnotes on the Consolidated Statement of Cash-Flows

The operating profit of TL 9,850,562 before the changes in operating assets and liabilities consists of interests received at TL 14,771,595 predominantly from loans and securities, and TL 7,627,400 of interest paid predominantly on deposits, money market transactions and funds borrowed by the Bank. An important part of other revenues, TL 4,764,945, consists of premium collections of insurance companies.

The effect of changes in foreign exchange rates on cash and cash equivalents is approximately TL 194,415 as of 31 December 2012 (31 December 2011: TL 528,431).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, money market operations as well as demand deposits and time deposits up to 3 months are defined as cash and cash equivalents.

Cash and cash equivalents at beginning of period:

	31.12.2011	31.12.2010
Cash	6,957,355	5,663,780
Cash in TL and Foreign Currency	1,149,355	932,823
Central Bank of Turkey and Other	5,808,000	4,730,957
Cash Equivalents	4,530,573	5,828,033
Receivables from Money Market Operations	171,596	10,193
Banks' Demand Deposits and Time Deposits Up to 3 Months	4,358,977	5,817,840
Total Cash and Cash Equivalents	**11,487,928**	**11,491,813**

The total amount resulting from the transactions made in the previous period shows the total cash and cash equivalents as of the beginning of the current period.

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

Cash and Cash equivalents as of end of the period:

	31.12.2012	31.12.2011
Cash	4,775,236	6,957,355
Cash in TL and Foreign Currency	1,680,661	1,149,355
Central Bank of Turkey and Other	3,094,575	5,808,000
Cash Equivalents	3,808,003	4,530,573
Receivables from Money Market Operations	81,658	171,596
Banks' Demand Deposits and Time Deposits Up to 3 Months	3,726,345	4,358,977
Total Cash and Cash Equivalents	**8,583,239**	**11,487,928**

VII. Disclosures And Footnotes On The Group's Risk Group

a. Information on the volume of transactions relating to the Group's risk group, incomplete loan and deposit transactions and period's profit and loss:

a.1. Information on loans held by the Group's risk group:

Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	62,291	2,309,017	2	19	639,896	149,171
Balance at the end of the period	67,477	1,308,746	1		499,699	218,714
Interest and commission income received	3,960	132			34,144	1,463

Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	90,292	1,624,072		19	369,989	109,856
Balance at the end of the period	62,291	2,309,017	2	19	639,896	149,171
Interest and commission income received	3,763	469			35,436	1,047

a.2. Information on deposits held by the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	399,014	250,067	549,679	840,520	1,184,469	1,197,039
Balance at the end of the period	798,050	399,014	385,728	549,679	1,107,605	1,184,469
Interest expense on deposits	18,421	11,230	46,369	63,241	42,088	51,106

a.3. Information on forward and option and other similar agreements made with the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss						
Beginning of the period					188,145	
End of the period					817	188,145
Total Profit/ Loss		187			(2,231)	2,177
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/ Loss						

b. Disclosures for the Group's risk group:

b.1. The relations of the Group with corporations in its risk group and under its control regardless of any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b.2. The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 0.49%, while the ratio to the overall assets is 0.28% the ratio of deposits of the risk group corporations to the overall deposits is 2.16%, while the ratio to overall liabilities is 1.14%. The same pricing policy with third parties is used for the financial services provided to companies in the Parent Bank's risk group.

b.3. Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

Acquisition of properties is generally made through İş Finansal Kiralama A.Ş., one of the Group companies. The Parent Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Parent Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş. Of the 31 mutual funds, which were founded by the Parent Bank, 25 of them are managed by İş Portföy Yönetimi A.Ş. and 6 of them are managed by İş Yatırım Menkul Değerler A.Ş. 17 of the mutual funds, which were founded by Anadolu Hayat Emeklilik A.Ş., are managed by İş Portföy Yönetimi A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

c. Total salaries and similar benefits paid to the key management personnel

As of 31 December 2012, the net payment provided to the key management of the Parent Bank amounts TL 15,193 (31 December 2011: TL 14,407).

VIII. Disclosures on the Group's Domestic, Foreign, Off-Shore Branches or Participations and Representative Offices

The Parent Bank – Türkiye İş Bankası A.Ş.

	Number	Employees			
Domestic Branches*(1)*	1,231	24,169			
			Country of Incorporation		
Foreign Representative Offices	1	1	China		
	1	1	Egypt		
				Total Assets	**Legal Capital**
Foreign Branches	1	30	England	8,691,279	289
	14	175	TRNC	1,365,947	80,000
	1	13	Iraq	102,639	12,591
	1	9	Georgia	15,685	13,872
	1	5	Kosovo	17,238	16,468
Off-Shore Branches	1	8	Bahrain	11,495,869	

(1)The Branches located in Free Trade Zones in Turkey are included among domestic branches.

İşbank AG

	Number	Employees			
Domestic Branches*(1)*	12	188			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	**Legal Capital**
Foreign Branches	1	10	The Netherlands	1,197,753	
	1	9	France	90,388	
	1	6	Switzerland	25,249	
	1	10	Bulgaria	10,924	
Off-Shore Branches					

(1) Germany is meant by the term "domestic".

Milli Reasürans T.A.Ş.

	Number	Employees			
Domestic Branches	1	207			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	**Legal Capital**
Foreign Branches					
Off-Shore Branches	1	11	Singapore	91,416	41,000

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

CJSC İşbank

	Number	Employees			
Domestic Branches *(1)*	4	311			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	**Legal Capital**
Foreign Branches					
Off-Shore Branches					

(1) The branches of the company, which is headquartered in Moscow, in Russia are shown as domestic branches.

Number of employees of consolidated companies that does not have agencies and branches abroad:

	Employees
Anadolu Anonim Türk Sigorta Şirketi	917
Anadolu Hayat Emeklilik A.Ş.	737
Camiş Menkul Değerler A.Ş.	54
Efes Varlık Yönetimi A.Ş.	43
İş Investment Gulf Ltd. (1)	1
İş Factoring Finansman Hizmetleri A.Ş.	35
İş Finansal Kiralama A.Ş.	103
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	54
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	15
İş Portföy Yönetimi A.Ş.	50
İş Yatırım Menkul Değerler A.Ş.	436
İş Yatırım Ortaklığı A.Ş.	4
Maxis Securities Ltd. (2)	21
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	11
TSKB Yatırım Ortaklığı A.Ş.	345
Yatırım Finansman Menkul Değerler A.Ş.	145

(1) The company, which is headquartered in Dubai, does not have any branch or representative office beside its head office.
(2) The company, which is headquartered in London, does not have any branch or representative office beside its head office.

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

IX. Subsequent Events

1. Within the framework of the resolution made by the Parent Bank's Board of Directors on 30 July 2012 regarding the domestic issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 656,736 with a maturity of 163 days, the Bank have issued discount bonds with a nominal value of TL 146,525 with a maturity of 380 days and the Bank has issued floating rate bonds with quarterly coupon payments with a nominal value of TL 10,702 with a maturity of 723 days on January 2013. The redemption date of the related bills are 26 June 2013, discount bonds are 29 January 2014 and floating rate bonds with quarterly coupon payments 7 January 2015 respectively and the interest rates are 6.64%, 7.01% and 6.84% respectively (annual simple interest).

2. Within the framework of the resolution made by the Parent Bank's Board of Directors on 30 July 2012 regarding the domestic issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 460,389 with a maturity of 180 days, the Bank have issued discount bonds with a nominal value of TL 87,323 with a maturity of 350 days on February 2013. The redemption date of the related bills are 12 August 2013,discount bonds are 29 January 2014 respectively and the interest rates are 6.20% and 6.44% respectively (annual simple interest).

3. As per the "Communique on Amendments to be Made on Communique on Required Reserves", which was published on the Official Gazette dated 26 January 2013 and nr. 28540, the reserve deposit rates are determined to be between 5%-11.25% for TL deposits and TL other liabilities, 9%-12% for FC deposits and between 6%-12% for FC other liabilities valid from 01 February 2013.

SECTION SIX: OTHER EXPLANATIONS

I. Explanation on the Group's Credit Ratings:

Türkiye İş Bankası A.Ş.

	Rating	Outlook [1]	Explanation
MOODY'S			
Bank Financial Strength	D+	Stable	Indicates that the Bank's stand-alone financial strength is adequate.
Long-term Foreign Currency Deposit	Ba2	Stable	It is the highest rating in this category determined ceiling of Turkey.
Long-term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-term Foreign Currency Deposit	NP	-	Same as the rating for Turkey.
Short-term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is good.
Long-term Local Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is good.
Short-term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-term Rating	AAA (tur)	Stable	Shows highest credit quality (national).
Viability Rating	bbb-	-	Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Support Rating	3	-	There is a moderate probability of support.
STANDARD & POOR'S			
Long-term Counterparty Credit Rating	BB	Stable	Same as the FC country rating given for Turkey.
Long-term Certificate of Deposit	BB	-	Same as the FC country rating given for Turkey.
Short-term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its financial commitment on the obligation.
Short-term Certificate of Deposit	B	-	Indicates that it has the capacity to meet its financial commitment on its obligations.
Long-term National Scale Rating	trAA	-	Indicates that its capacity to meet its financial commitments on the obligation are strong.
Short-term National Scale Rating	trA-1	-	It is the highest rating in this category and indicates that the Bank's capacity to pay its short-term debt is higher than the other institutions in the country.

The dates below given are on which the Parent Bank's credit ratings/outlook was last updated:

Moody's: 3 July 2012, Fitch Ratings: 14 December 2012, Standard & Poor's: 4 May 2012

[1] **Outlook:**

"Stable" indicates that the current rating will not be changed in the short term; "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

Türkiye Sınai Kalkınma Bankası A.Ş.

	Rating	Outlook
MOODY'S		
Bank Financial Strength	D+	-
Long-term Foreign Currency Issuer Rating	Baa3	Stable
Short-term Foreign Currency Issuer Rating	P-3	-
Long-term Local Currency Issuer Rating	Baa3	Stable
Short-term Local Currency Issuer Rating	P-3	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable
Long-term Local Currency Issuer Default Rating	BBB-	Stable
Short-term Foreign Currency Issuer Default Rating	F3	-
Short-term Local Currency Issuer Default Rating	F3	-
National Rating	AAA	Stable
Support Rating	2	-

The dates below given are on which the TSKB's credit ratings were last updated:

Moody's: 3 July 2012, Fitch Ratings: 14 December 2012

İş Finansal Kiralama A.Ş.

	Rating	Outlook
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable
Long-term Local Currency Issuer Default Rating	BBB-	Stable
Short-term Foreign Currency Issuer Default Rating	F3	-
Short-term Local Currency Issuer Default Rating	F3	-
National Long-term Rating	AAA (tur)	Stable
Support Rating	2	-

The date below given is on which the credit ratings of İş Finansal Kiralama A.Ş. were last updated:

Fitch Ratings: 24 August 2012

II. Explanations on Special Purpose Audit and Public Audit

According to the Turkish Commercial Code 207, 438 and 439, the Bank has not been done special audit in the current period. The Bank is subject to public scrutiny, including public institutions such as; BRSA, CBRT, the Capital Markets Board, the Competition Authority. In relation to these inspections of public institutions, if there is a point where disclosure to be necessary, the Bank shares the issues with the public through disclosures.

SECTION SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. Explanations on the Independent Auditors' Report:

The Parent Bank's consolidated financial statements and footnotes to be disclosed to public as of 31 December 2012 are audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and except for the effect of the matter on the consolidated financial statements described in the fourth paragraph of the audit report dated 14 February 2013, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2012 and the result of its operations and cash flows for the year then ended.

II. Explanations and Footnotes of the Independent Auditors

There are no significant issues or necessary disclosures or notes in relation to the Group's operations other than those mentioned above.

AUDITED BRSA FINANCIAL STATEMENTS OF THE GROUP FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011 (INCLUDING COMPARATIVE 2010 NUMBERS)

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Türkiye İş Bankası Anonim Şirketi

Consolidated Financial Statements

As of and For the Year Ended

31 December 2011

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ

14 February 2012

This report contains "Independent Auditors' Report" comprising 1 page and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 100 pages.

KPMG

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See Note 1 in Part Three)

To the Board of Directors of Türkiye İş Bankası AŞ;

We have audited the consolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") its financial affiliates (together "the Group") as of 31 December 2011 and the related consolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the consolidated financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements, communiqués and guidance published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Accompanying financial statements include a general reserve amounting to TL 950,000 thousands provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in economy or market conditions, and full amount of such provision had been recognized as expense in the prior periods.

In our opinion, except for the effect on the consolidated financial statements of the matter described in the fourth paragraph above, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2011 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and Article 38 of (Turkish) Banking Law No 5411 and the statements, communiqués and guidances published by the BRSA on accounting and financial reporting principles.

İstanbul
14 February 2012

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat ALSAN
Partner, Certified Public Accountant

Additional paragraph for convenience translation to English:

As explained in Note I in Part Three, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

THE CONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2011

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul
Telephone: 0212 316 00 00
Fax: 0212 316 09 00
Web site: www.isbank.com.tr
E-mail: 4440202@isbank.com.tr

The Consolidated Financial Report for the year ended 31 December 2011 prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency (BRSA), comprises the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
- INFORMATION ON THE FINANCIAL STRUCTURE OF THE GROUP CONSOLIDATED
- DISCLOSURES AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

Associates and subsidiaries whose financial statements have been consolidated in this financial report are as follows:

Subsidiaries	Associates
ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ	ARAP-TÜRK BANKASI A.Ş.
ANADOLU HAYAT EMEKLİLİK A.Ş.	
CAMİŞ MENKUL DEĞERLER A.Ş.	
CLOSED JOINT STOCK COMPANY İŞBANK (CJSC İŞBANK)	
EFES VARLIK YÖNETİM A.Ş.	
IS INVESTMENT GULF LTD.	
İŞ FACTORING HİZMETLERİ A.Ş.	
İŞ FİNANSAL KİRALAMA A.Ş.	
İŞ GAYRIMENKUL YATIRIM ORTAKLIĞI A.Ş.	
İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.	
İŞ PORTFÖY YÖNETİMİ A.Ş.	
İŞ YATIRIM MENKUL DEĞERLER A.Ş.	
İŞ YATIRIM ORTAKLIĞI A.Ş.	
İŞBANK GMBH	
MAXIS SECURITIES LTD.	
MİLLİ REASÜRANS T.A.Ş.	
TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
TSKB YATIRIM ORTAKLIĞI A.Ş.	
TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.	
YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.	

Although they are neither subsidiaries nor associates of Türkiye İş Bankası AŞ, TIB Diversified Payment Rights Finance Company and TIB Card Receivables Funding Company Limited have been consolidated within the framework of Turkish Accounting Standards.

The consolidated financial statements and, related disclosures and footnotes in this report are prepared, unless otherwise indicated, in thousands of the Turkish Lira (TL), in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and the Bank's financial records, and they have been subject to independent audit and presented as the attached.

Aziz Ferit Eraslan	**Mahmut Magemizoğlu**	**Adnan Bali**	**Prof. Dr. Savaş Taşkent**	**Füsun Tümsavaş**	**H. Ersin Özince**
Head of Financial Management Division	Deputy Chief Executive In Charge of Financial Reporting	Chief Executive Officer	Member of the Board and the Audit Committee	Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	Chairman of the Board of Directors

Information on the authorized personnel to whom questions related to this financial report may be directed.

Name – Surname / Title: Süleyman H. Özcan / Head of Investor Relations Division
Phone Nr. : +90 212 316 16 02
Fax Nr. : +90 212 316 08 40
E-mail : Suleyman.Ozcan@isbank.com.tr
investorrelations@isbank.com.tr
Web : www.isbank.com.tr

TÜRKİYE İŞ BANKASI A.Ş. *(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)*

TÜRKİYE İŞ BANKASI A.Ş. *(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)*

PART ONE: GENERAL INFORMATION ABOUT THE PARENT BANK

I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank" or "the Parent Bank") was established on 26 August 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. There is no change in the Bank's status since its establishment.

II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Parent Bank, any Changes in the Period, and Information on the Bank's Risk Group

According to the Central Registry Agency data as of 31 December 2011, 40.43% of the Bank's shares are owned by T. İş Bankası A.Ş. Pension Fund, 28.09% are owned by the Republican People's Party (Atatürk's shares) and 31.48% are on free float.

III. Explanations on the shares, if any, held by Chairman of the Board, Directors, Auditors, Chief Executive Officer and Deputy Chief Executives of the Parent Bank and on the Areas of their Responsibilities

Board of Directors and Auditors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Füsun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee, TRNC Internal Systems Committee and the Risk Committee, Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee, TRNC Internal Systems Committee and the Remuneration Committee
Hasan Koçhan	Director, Member of the Credit Committee
Aynur Dülger Ataklı	Director, Member of the Social Responsibility Committee
M. Mete Başol	Director, Alternate Member of the Credit Committee
Mustafa Kıcalıoğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility Committee, Alternate Member of the Credit Committee
Hüseyin Yalçın	Director
Murat Vulkan	Director
A. Taciser Bayer	Auditor
Kemal Ağanoğlu	Auditor

Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Administrative Position
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Özcan Türkakın	Equity Participations, Corporate Communications Management, Member of the Social Responsibility Committee and the Risk Committee*
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Suat İnce	Corporate and Commercial Banking Marketing, Sales and Product Management, Free Zone Branches
Serdar Gençer	Banking Operations and Payment Operations, Retail Loan and Card Operations, Foreign Trade and Commercial Loan Operations, Internal Operations Management
Hakan Aran	Alternative Distribution Channels Operations, Alternative Distribution Channels Strategy, IT Architecture & Security, IT System and Service Delivery Management
Aydın Süha Önder	Legal Counsellorship, Credit Information and Financial Analysis, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery Management
Levent Korba	Support Services and Purchasing, Construction and Real Estate Management, Branch Network Development
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans and Consumer Loans Underwriting, Credit Risk Management and Portfolio Monitoring, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management, Private Banking Marketing and Sale Management, Member of the Social Responsibility Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, Strategy and Corporate Performance Management and Talent Management
A. Erdal Aral	International Banking, Branches Abroad and Foreign Representative Offices, Capital Markets Management
Senar Akkuş	Economic Research, Treasury Management, Member of the Risk Committee

** Mr. Özcan Türkakın attends the meetings of the Risk Committee that are held on a consolidated basis.*

The Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance.

IV. Information on the Parent Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,819,149	40.43%	1,819,149	
Cumhuriyet Halk Partisi – Republican People's Party -(Atatürk's Shares)	1,264,142	28.09%	1,264,142	

Source: Central Registry Agency

V. Summary Information on the Parent Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Parent Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

VI. Explanations on the Consolidated Companies

The Parent Bank and its subsidiaries;

- ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
- ANADOLU HAYAT EMEKLİLİK A.Ş.
- CAMİŞ MENKUL DEĞERLER A.Ş.
- CJSC İŞBANK
- EFES VARLIK YÖNETİMİ A.Ş.
- IS INVESTMENT GULF LTD.
- İŞ FACTORİNG FİNANSMAN HİZMETLERİ A.Ş.
- İŞ FINANSAL KİRALAMA A.Ş.
- İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.
- İŞ PORTFÖY YÖNETİMİ A.Ş.
- İŞ YATIRIM MENKUL DEĞERLER A.Ş.
- İŞ YATIRIM ORTAKLIĞI A.Ş.
- İŞBANK GMBH
- MAXIS SECURITIES LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- TSKB YATIRIM ORTAKLIĞI A.Ş.
- TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.
- YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.

are fully consolidated,

Its subsidiary;

- ARAP-TÜRK BANKASI A.Ş.

is accounted under equity accounting method.

At the same time, special purpose entities established for the Bank's securitization debt transactions

- TIB Diversified Payment Rights Finance Company
- TIB Card Receivables Funding Company Limited

are consolidated in the consolidated financial statements in accordance with the Interpretation Nr: 12 to Turkish Accounting Standards "Consolidation – Special Purpose Entities".

The explanations related to the consolidated companies that provide service in banking, insurance and reinsurance, private pension, reinsurance, financial leasing, factoring, real estate investment, brokerage, investment consulting, portfolio and asset management are given below.

Anadolu Anonim Türk Sigorta Şirketi

The Company whose main field of activity is to conduct non-life insurance activities was founded in 1925. The headquarters of the company is in Istanbul. The company's shares are traded in the İstanbul Stock Exchange (ISE).

Anadolu Hayat Emeklilik A.Ş.

The Company was founded in 1990 and its headquarter is in Istanbul. The company's main activities are private individual or group pension and life insurance. There are 19 private pension funds founded by the company. The company's shares are traded in the Istanbul Stock Exchange (ISE).

Camiş Menkul Değerler A.Ş.

Founded in 1984, the Company operates in the capital market as a brokerage house.

CJSC İşbank

The Bank, which was founded in 1998 and headquartered in Moscow, has also branches in Balakov, Samara, Saint-Petersburg, Saratov and in Novosibirskt. The Bank gives commercial banking services in the Russian Federation, which mainly consists of deposit, loan and brokerage operations.

Efes Varlık Yönetimi A.Ş.

The field of activity of the company, which was founded in February 2011 is to purchase and sell the receivables and other assets of deposit banks, participation banks and other financial institutions. The Company's headquarter is in İstanbul.

Is Investment Gulf Ltd.

The purpose of the Company, which was founded in Dubai in the year 2011, is to operate in capital markets in the gulf region.

İş Factoring Finansman Hizmetleri A.Ş.

The field of operation of the Company, which operates in the factoring sector since 1993, is domestic and foreign factoring operations. The Company's headquarter is in İstanbul.

İş Finansal Kiralama A.Ş.

The Company, whose field of activity is financial leasing within the country and abroad started its business in 1988. The headquarters of the Company is in Istanbul. The Company's shares are traded in the İstanbul Stock Exchange (ISE).

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

The Company whose main field of activity is investing in real estate, capital market instruments backed by real estate, real_estate projects and capital market instruments is conducting its business in the sector as a real estate investment trust since 1999. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since its establishment.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Having started its venture capital business in the year 2000, the Company operates in two fields, venture capital and information, sound and communication systems. The company's shares are traded in the İstanbul Stock Exchange (ISE) since the year 2004.

İş Portföy Yönetimi A.Ş.

The purpose of the Company, which was founded in 2000, is to engage in capital market operations stated in its articles of association. Among the capital market operations, the company offers portfolio management and investment consulting services only to corporate investors.

İş Yatırım Menkul Değerler A.Ş.

The Company's main field of activity is composed of intermediary, corporate finance, investment consulting and private portfolio management services. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since May 2007.

İş Yatırım Ortaklığı A.Ş.

The field of activity of the Company, which was founded in İstanbul in the year 1995, is portfolio management. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since April 1996.

İşbank GmbH

İşbank GmbH was founded to conduct the Parent Bank's banking business in Europe. As of 31 December 2011, İşbank GmbH has 16 branches in total, 12 branches in Germany, 1 branch in the Netherlands, 1 branch in France and 1 branch in Switzerland. Also, as of 1 August 2011, its Sofia/Bulgaria branch began to operate.

Maxis Securities Ltd.

The purpose of the Company, which was founded in England in the year 2005, is to operate in activities in foreign capital markets.

Milli Reasürans T.A.Ş.

The Company, which was founded in 1929 to provide reinsurance services is located in Istanbul.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

The major field of activity of the Company, which was founded in 2006, is to create and develop an investment property portfolio and to invest in capital market instruments that are based on investment properties. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since April 2010.

TSKB Yatırım Ortaklığı A.Ş.

The purpose of the Company, which was founded in İstanbul in 2000, is to manage capital market instruments and a portfolio of gold and other precious metals that are traded in national and international stock exchanges or in organized over the counter markets. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since the year 2001.

Türkiye Sınai Kalkınma Bankası A.Ş.

Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) which is an industrial development and an investment bank is founded especially to support private sector investments in industry and to provide domestic and foreign capital to Turkish companies. The Bank's shares are traded in the İstanbul Stock Exchange.

Yatırım Finansman Menkul Değerler A.Ş.

The Company, which was founded in İstanbul in 1976 has merged with TSKB Menkul Değerler A.Ş. The purpose of the Company is to engage in capital market operations stated in its articles of association.

PART TWO: CONSOLIDATED FINANCIAL STATEMENTS

I. CONSOLIDATED BALANCE SHEET - ASSETS

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (Statement of Financial Position) ASSETS		Footnotes	THOUSAND TL CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
			TL	FC	Total	TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	**V-I-1**	**5,070,089**	**8,816,488**	**13,886,577**	**3,996,122**	**4,599,784**	**8,595,906**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**	**V-I-2**	**1,436,801**	**981,320**	**2,418,121**	**1,498,561**	**338,549**	**1,837,110**
2.1	Financial Assets Held for Trading		1,436,801	981,320	2,418,121	1,498,561	338,549	1,837,110
2.1.1	Government Debt Securities		964,169	12,024	976,193	1,005,232	46,909	1,052,141
2.1.2	Equity Securities		153,621	0	153,621	245,927	1	245,928
2.1.3	Derivative Financial Assets Held for Trading		40,368	921,321	961,689	22,695	251,920	274,615
2.1.4	Other Marketable Securities		278,643	47,975	326,618	224,707	39,719	264,426
2.2	Financial Assets at Fair Value Through Profit and Loss		0	0	0	0	0	0
2.2.1	Government Debt Securities		0	0	0	0	0	0
2.2.2	Equity Securities		0	0	0	0	0	0
2.2.3	Loans		0	0	0	0	0	0
2.2.4	Other Marketable Securities		0	0	0	0	0	0
III.	**BANKS**	**V-I-3**	**602,461**	**4,145,445**	**4,747,906**	**2,630,341**	**3,745,457**	**6,375,798**
IV.	**MONEY MARKET PLACEMENTS**		**128,472**	**43,141**	**171,613**	**10,194**	**0**	**10,194**
4.1	Interbank Money Market Placements		0	43,141	43,141	0	0	0
4.2	Istanbul Stock Exchange Money Market Placements		120,520	0	120,520	1,247	0	1,247
4.3	Receivables from Reverse Repurchase Agreements		7,952	0	7,952	8,947	0	8,947
V.	**FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**	**V-I-4**	**22,218,908**	**11,338,158**	**33,557,066**	**25,462,410**	**10,718,797**	**36,181,207**
5.1	Equity Securities		67,930	2,957	70,887	69,250	2,957	72,207
5.2	Government Debt Securities		21,987,623	8,457,768	30,445,391	25,318,770	6,965,024	32,283,794
5.3	Other Marketable Securities		163,355	2,877,433	3,040,788	74,390	3,750,816	3,825,206
VI.	**LOANS AND RECEIVABLES**	**V-I-5**	**60,393,116**	**38,635,006**	**99,028,122**	**45,265,560**	**23,812,244**	**69,077,804**
6.1	Loans and receivables		60,393,116	38,635,006	99,028,122	45,265,560	23,812,244	69,077,804
6.1.1	Loans to the Bank's Risk Group		124,842	577,347	702,189	101,156	359,125	460,281
6.1.2	Government Debt Securities		0	0	0	0	0	0
6.1.3	Other		60,268,274	38,057,659	98,325,933	45,164,404	23,453,119	68,617,523
6.2	Non-Performing Loans		1,986,423	122,996	2,109,419	2,367,012	96,585	2,463,597
6.3	Specific Provisions (-)		1,986,423	122,996	2,109,419	2,367,012	96,585	2,463,597
VII.	**FACTORING RECEIVABLES**		**401,882**	**2,771**	**404,653**	**312,189**	**19,131**	**331,320**
VIII.	**INVESTMENTS HELD TO MATURITY (Net)**	**V-I-6**	**13,693,624**	**13,808**	**13,707,432**	**14,058,600**	**12,029**	**14,070,629**
8.1	Government Debt Securities		13,686,705	0	13,686,705	14,052,833	0	14,052,833
8.2	Other Marketable Securities		6,919	13,808	20,727	5,767	12,029	17,796
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**V-I-7**	**776,804**	**147**	**776,951**	**794,592**	**0**	**794,592**
9.1	Associates Accounted for Using the Equity Method		74,405	0	74,405	64,563	0	64,563
9.2	Unconsolidated Associates		702,399	147	702,546	730,029	0	730,029
9.2.1	Financial Investments		0	0	0	3,150	0	3,150
9.2.2	Non-Financial Investments		702,399	147	702,546	726,879	0	726,879
X.	**INVESTMENTS IN SUBSIDIARIES (Net)**	**V-I-8**	**3,202,087**	**0**	**3,202,087**	**2,746,829**	**0**	**2,746,829**
10.1	Unconsolidated Financial Subsidiaries		0	0	0	0	0	0
10.2	Unconsolidated Non-Financial Subsidiaries		3,202,087	0	3,202,087	2,746,829	0	2,746,829
XI.	**JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)**	**V-I-9**	**0**	**0**	**0**	**0**	**0**	**0**
11.1	Jointly Controlled Entities Accounted for Using the Equity Method		0	0	0	0	0	0
11.2	Unconsolidated Jointly Controlled Entities		0	0	0	0	0	0
11.2.1	Jointly Controlled Financial Entities		0	0	0	0	0	0
11.2.2	Jointly Controlled Non-Financial Entities		0	0	0	0	0	0
XII.	**LEASE RECEIVABLES**	**V-I-10**	**224,157**	**1,152,233**	**1,376,390**	**175,518**	**787,747**	**963,265**
12.1	Finance Lease Receivables		268,745	1,330,620	1,599,365	212,900	913,700	1,126,600
12.2	Operating Lease Receivables		2,278	0	2,278	968	0	968
12.3	Other		0	0	0	0	0	0
12.4	Unearned Income (-)		46,866	178,387	225,253	38,350	125,953	164,303
XIII.	**DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT**	**V-I-11**	**0**	**0**	**0**	**0**	**0**	**0**
13.1	Fair Value Hedges		0	0	0	0	0	0
13.2	Cash Flow Hedges		0	0	0	0	0	0
13.3	Net Foreign Investment Hedges		0	0	0	0	0	0
XIV.	**TANGIBLE ASSETS (Net)**	**V-I-12**	**2,083,637**	**83,215**	**2,166,852**	**1,963,574**	**36,059**	**1,999,633**
XV.	**INTANGIBLE ASSETS (Net)**	**V-I-13**	**119,841**	**511**	**120,352**	**55,330**	**784**	**56,114**
15.1	Goodwill		29,590	0	29,590	7,170	0	7,170
15.2	Other		90,251	511	90,762	48,160	784	48,944
XVI.	**INVESTMENT PROPERTY (Net)**	**V-I-14**	**1,037,294**	**0**	**1,037,294**	**1,242,157**	**0**	**1,242,157**
XVII.	**TAX ASSETS**	**V-I-15**	**651,686**	**4,233**	**655,919**	**836,031**	**26**	**836,057**
17.1	Current Tax Asset		18,822	1,313	20,135	15,295	26	15,321
17.2	Deferred Tax Asset		632,864	2,920	635,784	820,736	0	820,736
XVII	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**V-I-16**	**60,256**	**0**	**60,256**	**54,233**	**0**	**54,233**
18.1	Held for Sale		60,256	0	60,256	54,233	0	54,233
18.2	Discontinued Operations		0	0	0	0	0	0
XIX.	**OTHER ASSETS**	**V-I-17**	**5,404,327**	**1,213,912**	**6,618,239**	**4,706,338**	**931,550**	**5,637,888**
	TOTAL ASSETS		**117,505,442**	**66,430,388**	**183,935,830**	**105,808,579**	**45,002,157**	**150,810,736**

II. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (Statement of Financial Position) LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSAND TL CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
			TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**V-II-1**	**59,387,345**	**39,444,651**	**98,831,996**	**58,510,364**	**29,966,255**	**88,476,619**
1.1	Deposits from the Bank's Risk Group		737,617	1,395,545	2,133,162	1,014,078	1,273,548	2,287,626
1.2	Other		58,649,728	38,049,106	96,698,834	57,496,286	28,692,707	86,188,993
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**V-II-2**	**471,036**	**445,050**	**916,086**	**396,394**	**334,916**	**731,310**
III.	**FUNDS BORROWED**	**V-II-3**	**542,151**	**18,237,124**	**18,779,275**	**908,138**	**13,374,727**	**14,282,865**
IV.	**MONEY MARKET FUNDS**		**16,425,130**	**6,047,852**	**22,472,982**	**9,077,523**	**3,892,063**	**12,969,586**
4.1	Interbank Money Market Funds		0	0	0	0	0	0
4.2	Istanbul Stock Exchange Money Market Funds		1,975,830	0	1,975,830	1,539,620	0	1,539,620
4.3	Funds Provided Under Repurchase Agreements		14,449,300	6,047,852	20,497,152	7,537,903	3,892,063	11,429,966
V.	**MARKETABLE SECURITIES ISSUED (Net)**	**V-II-4**	**2,822,425**	**943,451**	**3,765,876**	**195,954**	**0**	**195,954**
5.1	Bills		1,888,329	0	1,888,329	195,954	0	195,954
5.2	Asset-backed Securities		0	0	0	0	0	0
5.3	Bonds		934,096	943,451	1,877,547	0	0	0
VI.	**FUNDS**		**1,559**	**6,335**	**7,894**	**0**	**0**	**0**
6.1	Funds Borrowed		1,559	6,335	7,894	0	0	0
6.2	Other		0	0	0	0	0	0
VII.	**MISCELLANEOUS PAYABLES**		**6,477,050**	**684,671**	**7,161,721**	**5,491,198**	**455,054**	**5,946,252**
VIII.	**OTHER LIABILITIES**	**V-II-5**	**958,493**	**1,483,989**	**2,442,482**	**547,057**	**634,810**	**1,181,867**
IX.	**FACTORING PAYABLES**		**0**	**0**	**0**	**0**	**0**	**0**
X.	**LEASE PAYABLES (Net)**	**V-II-6**	**0**	**0**	**0**	**0**	**0**	**0**
10.1	Finance Lease Payables		0	0	0	2	0	2
10.2	Operating Lease Payables		0	0	0	0	0	0
10.3	Other		0	0	0	0	0	0
10.4	Deferred Finance Lease Expenses (-)		0	0	0	2	0	2
XI.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT**	**V-II-7**	**0**	**0**	**0**	**0**	**0**	**0**
11.1	Fair Value Hedges		0	0	0	0	0	0
11.2	Cash Flow Hedges		0	0	0	0	0	0
11.3	Net Foreign Investment Hedges		0	0	0	0	0	0
XII.	**PROVISIONS**	**V-II-8**	**8,186,512**	**527,356**	**8,713,868**	**7,196,113**	**364,393**	**7,560,506**
12.1	General Loan Loss Provision		1,309,809	6,126	1,315,935	744,573	749	745,322
12.2	Provision for Restructuring		0	0	0	0	0	0
12.3	Reserves for Employee Benefits		285,879	1,577	287,456	243,996	665	244,661
12.4	Insurance Technical Reserves (Net)		3,841,450	493,191	4,334,641	3,445,067	346,996	3,792,063
12.5	Other Provisions		2,749,374	26,462	2,775,836	2,762,477	15,983	2,778,460
XIII.	**TAX LIABILITY**	**V-II-9**	**432,460**	**5,621**	**438,081**	**397,477**	**3,698**	**401,175**
13.1	Current Tax Liability		429,620	4,371	433,991	393,954	2,409	396,363
13.2	Deferred Tax Liability		2,840	1,250	4,090	3,523	1,289	4,812
XIV.	**LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**	**V-II-10**	**0**	**0**	**0**	**0**	**0**	**0**
14.1	Held for Sale		0	0	0	0	0	0
14.2	Discontinued Operations		0	0	0	0	0	0
XV.	**SUBORDINATED LOANS**	**V-II-11**	**0**	**95,000**	**95,000**	**0**	**77,947**	**77,947**
XVI.	**SHAREHOLDERS' EQUITY**	**V-II-12**	**20,087,861**	**222,708**	**20,310,569**	**18,841,314**	**145,341**	**18,986,655**
16.1	Paid-in Capital		4,500,000	0	4,500,000	4,500,000	0	4,500,000
16.2	Capital Reserves		2,669,140	139,462	2,808,602	2,820,554	69,621	2,890,175
16.2.1	Share premium		33,937	0	33,937	33,937	0	33,937
16.2.2	Share Cancellation Profits		0	0	0	0	0	0
16.2.3	Marketable Securities Value Increase Fund		1,020,444	139,462	1,159,906	1,171,858	69,621	1,241,479
16.2.4	Tangible Assets Revaluation Reserve		0	0	0	0	0	0
16.2.5	Intangible Assets Revaluation Reserve		0	0	0	0	0	0
16.2.6	Investment Property Revaluation Reserve		0	0	0	0	0	0
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-1,179	0	-1,179	-1,179	0	-1,179
16.2.8	Hedging Reserves (Effective Portion)		0	0	0	0	0	0
16.2.9	Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		0	0	0	0	0	0
16.2.10	Other Capital Reserves		1,615,938	0	1,615,938	1,615,938	0	1,615,938
16.3	Profit Reserves		8,288,613	63,389	8,352,002	5,866,230	51,890	5,918,120
16.3.1	Legal Reserves		1,838,830	0	1,838,830	1,610,119	0	1,610,119
16.3.2	Statutory Reserves		39,586	0	39,586	28,293	0	28,293
16.3.3	Extraordinary Reserves		6,363,703	-439	6,363,264	4,282,669	29,874	4,312,543
16.3.4	Other Profit Reserves		46,494	63,828	110,322	-54,851	22,016	-32,835
16.4	Profit or Loss		2,165,106	14,409	2,179,515	3,018,323	10,274	3,028,597
16.4.1	Prior Years' Profit/Loss		-93,632	1,608	-92,024	89,568	-127	89,441
16.4.2	Current Year Profit/Loss		2,258,738	12,801	2,271,539	2,928,755	10,401	2,939,156
16.5	Minority Shares	V-II-13	2,465,002	5,448	2,470,450	2,636,207	13,556	2,649,763
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**115,792,022**	**68,143,808**	**183,935,830**	**101,561,532**	**49,249,204**	**150,810,736**

III. CONSOLIDATED OFF-BALANCE SHEET ITEMS

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS		THOUSAND TL					
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
	Footnotes	TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	V-III	**149,403,079**	**82,684,666**	**232,087,745**	**44,807,698**	**48,147,483**	**92,955,181**
I. GUARANTEES AND SURETYSHIPS		**10,240,267**	**16,967,964**	**27,208,231**	**6,893,492**	**9,536,523**	**16,430,015**
1.1.Letters of Guarantee		10,195,804	9,728,469	19,924,273	6,856,759	5,608,145	12,464,904
1.1.1.Guarantees Subject to State Tender Law		559,333	2,315,888	2,875,221	379,412	1,277,896	1,657,308
1.1.2.Guarantees Given for Foreign Trade Operations		935,015	1,817,872	2,752,887	609,497	602,145	1,211,642
1.1.3.Other Letters of Guarantee		8,701,456	5,594,709	14,296,165	5,867,850	3,728,104	9,595,954
1.2.Bank Acceptances		3,628	496,827	500,455	3,922	207,616	211,538
1.2.1.Import Letters of Acceptance		0	123,643	123,643	0	97,562	97,562
1.2.2.Other Bank Acceptances		3,628	373,184	376,812	3,922	110,054	113,976
1.3.Letters of Credit		0	5,761,529	5,761,529	0	3,380,888	3,380,888
1.3.1.Documentary Letters of Credit		0	4,289,291	4,289,291	0	2,493,328	2,493,328
1.3.2.Other Letters of Credit		0	1,472,238	1,472,238	0	887,560	887,560
1.4.Prefinancing Given as Guarantee		0	0	0	0	0	0
1.5.Endorsements		0	375,869	375,869	0	30,582	30,582
1.5.1.Endorsements to the Central Bank of Turkey		0	375,869	375,869	0	30,582	30,582
1.5.2.Other Endorsements		0	0	0	0	0	0
1.6.Purchase Guarantees for Securities Issued		0	0	0	0	0	0
1.7.Factoring Guarantees		0	0	0	0	0	0
1.8.Other Guarantees		40,835	605,270	646,105	32,811	309,292	342,103
1.9.Other Suretyships		0	0	0	0	0	0
II. COMMITMENTS		**119,068,963**	**11,961,315**	**131,030,278**	**25,155,680**	**5,941,459**	**31,097,139**
2.1.Irrevocable Commitments		27,247,865	8,912,156	36,160,021	24,706,653	5,369,931	30,076,584
2.1.1.Forward Asset Purchase Commitments		247,677	1,055,617	1,303,294	730,738	1,652,412	2,383,150
2.1.2.Forward Deposit Purchase and Sale Commitments		0	0	0	0	0	0
2.1.3 Capital Commitment for Associates and Subsidiaries		25,408	0	25,408	2,000	0	2,000
2.1.4.Loan Granting Commitments		5,075,187	4,399,588	9,474,775	4,086,957	998,996	5,085,953
2.1.5.Securities Underwriting Commitments		0	0	0	0	0	0
2.1.6.Commitments for Reserve Deposit Requirements		0	0	0	0	0	0
2.1.7.Commitments for Cheque Payments		4,914,758	0	4,914,758	4,323,938	0	4,323,938
2.1.8.Tax and Fund Liabilities from Export Commitments		10,283	0	10,283	7,297	0	7,297
2.1.9.Commitments for Credit Card Expenditure Limits		13,172,835	0	13,172,835	12,877,554	551,392	13,428,946
2.1.10.Commitments for Credit Cards and Banking Services Promotions		60,325	0	60,325	45,971	0	45,971
2.1.11.Receivables from Short Sale Commitments		0	0	0	0	0	0
2.1.12.Payables for Short Sale Commitments		6,510	0	6,510	4,191	0	4,191
2.1.13.Other Irrevocable Commitments		3,734,882	3,456,951	7,191,833	2,628,007	2,167,131	4,795,138
2.2.Revocable Commitments		91,821,098	3,049,159	94,870,257	449,027	571,528	1,020,555
2.2.1.Revocable Loan Granting Commitments		91,821,098	3,049,159	94,870,257	449,027	571,528	1,020,555
2.2.2.Other Revocable Commitments		0	0	0	0	0	0
III. DERIVATIVE FINANCIAL INSTRUMENTS		**20,093,849**	**53,755,387**	**73,849,236**	**12,758,526**	**32,669,501**	**45,428,027**
3.1.Derivative Financial Instruments Held for Risk Management		0	0	0	0	0	0
3.1.1.Fair Value Hedges		0	0	0	0	0	0
3.1.2.Cash Flow Hedges		0	0	0	0	0	0
3.1.3.Net Foreign Investment Hedges		0	0	0	0	0	0
3.2.Derivative Financial Instruments Held for Trading		20,093,849	53,755,387	73,849,236	12,758,526	32,669,501	45,428,027
3.2.1.Forward Foreign Currency Buy/Sell Transactions		5,697,408	12,279,532	17,976,940	1,486,231	4,773,150	6,259,381
3.2.1.1.Forward Foreign Currency Buy Transactions		4,624,783	4,366,439	8,991,222	1,116,021	2,016,774	3,132,795
3.2.1.2.Forward Foreign Currency Sell Transactions		1,072,625	7,913,093	8,985,718	370,210	2,756,376	3,126,586
3.2.2.Currency and Interest Rate Swaps		12,531,280	33,214,795	45,746,075	8,579,762	22,166,973	30,746,735
3.2.2.1.Currency Swap Buy Transactions		2,686,329	7,574,161	10,260,490	390,173	7,476,235	7,866,408
3.2.2.2.Currency Swap Sell Transactions		3,524,951	6,852,196	10,377,147	4,569,589	3,223,342	7,792,931
3.2.2.3.Interest Rate Swap Buy Transactions		3,160,000	9,394,219	12,554,219	1,810,000	5,733,698	7,543,698
3.2.2.4.Interest Rate Swap Sell Transactions		3,160,000	9,394,219	12,554,219	1,810,000	5,733,698	7,543,698
3.2.3.Currency, Interest Rate and Security Options		1,812,128	7,447,115	9,259,243	2,574,328	4,023,870	6,598,198
3.2.3.1.Currency Call Options		906,064	1,476,887	2,382,951	1,824,011	1,039,882	2,863,893
3.2.3.2.Currency Put Options		906,064	1,473,548	2,379,612	746,452	2,103,579	2,850,031
3.2.3.3.Interest Rate Call Options		0	2,248,340	2,248,340	0	438,272	438,272
3.2.3.4.Interest Rate Put Options		0	2,248,340	2,248,340	0	438,272	438,272
3.2.3.5.Securities Call Options		0	0	0	3,865	0	3,865
3.2.3.6.Securities Put Options		0	0	0	0	3,865	3,865
3.2.4.Currency Futures		22,504	24,251	46,755	42,818	43,215	86,033
3.2.4.1.Currency Buy Futures		8,909	14,631	23,540	38,785	4,024	42,809
3.2.4.2.Currency Sell Futures		13,595	9,620	23,215	4,033	39,191	43,224
3.2.5.Interest Rate Futures		0	0	0	1,391	1,573,170	1,574,561
3.2.5.1.Interest Rate Buy Futures		0	0	0	493	0	493
3.2.5.2.Interest Rate Sell Futures		0	0	0	898	1,573,170	1,574,068
3.2.6.Other		30,529	789,694	820,223	73,996	89,123	163,119

III. CONSOLIDATED OFF-BALANCE SHEET ITEMS (continued)

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS		THOUSAND TL					
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
	Footnotes	TL	FC	Total	TL	FC	Total
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	V-III	**195,777,214**	**104,222,552**	**299,999,766**	**136,302,658**	**64,809,780**	**201,112,438**
IV. ITEMS HELD IN CUSTODY		**97,368,872**	**8,902,396**	**106,271,268**	**63,025,758**	**6,706,654**	**69,732,412**
4.1.Customers' securities held		19,928,397	803,652	20,732,049	7,271,630	884,092	8,155,722
4.2.Investment securities held in custody		62,962,021	560,687	63,522,708	45,615,465	549,782	46,165,247
4.3.Checks received for collection		10,841,853	2,049,397	12,891,250	5,190,771	1,040,282	6,231,053
4.4.Commercial notes received for collection		1,674,125	2,891,371	4,565,496	2,582,207	2,438,951	5,021,158
4.5.Other assets received for collection		3,481	35,624	39,105	4,924	14,353	19,277
4.6.Assets received for public offering		2,541	0	2,541	68,166	0	68,166
4.7.Other items under custody		1,204,075	2,561,665	3,765,740	1,251,232	1,779,194	3,030,426
4.8.Custodians		752,379	0	752,379	1,041,363	0	1,041,363
V. PLEDGED ITEMS		**97,444,612**	**70,315,733**	**167,760,345**	**72,539,701**	**41,362,567**	**113,902,268**
5.1.Marketable securities		1,901,677	1,282,865	3,184,542	1,109,762	749,703	1,859,465
5.2.Guarantee notes		3,727,231	7,241,368	10,968,599	2,983,712	5,700,891	8,684,603
5.3.Commodity		23,101,518	1,282,037	24,383,555	15,097,219	32,799	15,130,018
5.4.Warranty		0	0	0	0	0	0
5.5.Real Estates		62,569,140	31,229,055	93,798,195	50,942,482	16,467,868	67,410,350
5.6.Other pledged items		6,145,046	29,222,587	35,367,633	2,406,526	18,355,668	20,762,194
5.7.Pledged items-depository		0	57,821	57,821	0	55,638	55,638
VI. ACCEPTED BILL GUARANTEES AND SURETIES		**963,730**	**25,004,423**	**25,968,153**	**737,199**	**16,740,559**	**17,477,758**
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**345,180,293**	**186,907,218**	**532,087,511**	**181,110,356**	**112,957,263**	**294,067,619**

IV. CONSOLIDATED INCOME STATEMENT

	TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED INCOME STATEMENT	Footnotes	THOUSAND TL CURRENT PERIOD (01/01-31/12/2011)	THOUSAND TL PRIOR PERIOD (01/01-31/12/2010)
I.	**INTEREST INCOME**	V- IV- 1	**12,081,352**	**10,850,750**
1.1	Interest Income on Loans		7,498,817	6,180,827
1.2	Interest Income on Reserve Deposits		0	0
1.3	Interest Income on Banks		194,132	347,848
1.4	Interest Income on Money Market Placements		5,176	7,954
1.5	Interest Income on Marketable Securities Portfolio		4,220,638	4,178,647
1.5.1	Financial Assets Held for Trading		63,911	76,977
1.5.2	Financial Assets at Fair Value Through Profit and Loss		0	0
1.5.3	Financial Assets Available for Sale		2,392,929	2,411,536
1.5.4	Investments Held to Maturity		1,763,798	1,690,134
1.6	Finance Lease Income		102,550	84,080
1.7	Other Interest Income		60,039	51,394
II.	**INTEREST EXPENSE**	V- IV- 2	**6,664,356**	**5,440,180**
2.1	Interest on Deposits		4,931,769	4,174,618
2.2	Interest on Funds Borrowed		373,450	625,306
2.3	Interest on Money Market Funds		1,109,917	623,945
2.4	Interest on Securities Issued		209,706	5,722
2.5	Other Interest Expense		39,514	10,589
III.	**NET INTEREST INCOME / EXPENSE (I - II)**		**5,416,996**	**5,410,570**
IV.	**NET FEES AND COMMISSIONS INCOME / EXPENSE**		**1,102,726**	**997,891**
4.1	Fees and Commissions Received		1,788,674	1,509,200
4.1.1	Non-cash Loans		141,504	123,430
4.1.2	Other		1,647,170	1,385,770
4.2	Fees and Commissions Paid		685,948	511,309
4.2.1	Non-cash Loans		6,359	5,232
4.2.2	Other		679,589	506,077
V.	**DIVIDEND INCOME**	V- IV- 3	**171,477**	**45,785**
VI.	**TRADING INCOME / LOSS (NET)**	V- IV- 4	**446,913**	**292,912**
6.1	Gains/Losses on Securities Trading		132,031	656,230
6.2	Derivative Financial Transactions Gains/Losses		314,865	-51,340
6.3	Foreign Exchange Gains/Losses		17	-311,978
VII.	**OTHER OPERATING INCOME**	V- IV- 5	**4,060,685**	**4,026,561**
VIII.	**TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)**		**11,198,797**	**10,773,719**
IX.	**PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)**	V- IV- 6	**1,494,935**	**1,185,911**
X.	**OTHER OPERATING EXPENSES (-)**	V- IV- 7	**6,615,795**	**5,671,987**
XI.	**NET OPERATING INCOME (VIII-IX-X)**		**3,088,067**	**3,915,821**
XII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		**0**	**0**
XIII.	**PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD**		**9,842**	**4,806**
XIV.	**NET MONETARY POSITION GAIN/LOSS**		**0**	**0**
XV.	**PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+…+XIV)**	V- IV- 8	**3,097,909**	**3,920,627**
XVI.	**TAX PROVISION FOR CONTINUING OPERATIONS (±)**	V- IV- 9	**708,541**	**688,933**
16.1	Current Tax Provision		395,096	897,266
16.2	Deferred Tax Provision		313,445	-208,333
XVII.	**NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)**	V- IV- 10	**2,389,368**	**3,231,694**
XVIII.	**INCOME ON DISCONTINUED OPERATIONS**		**0**	**0**
18.1	Income on Assets Held for Sale		0	0
18.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	0
18.3	Other Income on Discontinued Operations		0	0
XIX.	**EXPENSE ON DISCONTINUED OPERATIONS (-)**		**0**	**0**
19.1	Expense on Assets Held for Sale		0	0
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	0
19.3	Other Expense on Discontinued Operations		0	0
XX.	**PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)**	V- IV- 8	**0**	**0**
XXI.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**	V- IV- 9	**0**	**0**
21.1	Current Tax Provision		0	0
21.2	Deferred Tax Provision		0	0
XXII.	**NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**	V- IV- 10	**0**	**0**
XXIII.	**NET PERIOD PROFIT/LOSS (XVII+XXII)**	V- IV- 11	**2,389,368**	**3,231,694**
23.1	Group's Profit/Loss		2,271,539	2,939,156
23.2	Minority Shares		117,829	292,538
	Earnings Per Share (in full TL)		0.020191054	0.026125309

V. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	THOUSAND TL CURRENT PERIOD (01/01-31/12/2011)	THOUSAND TL PRIOR PERIOD (01/01-31/12/2010)
I.	**ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE**	**-654,489**	**72,740**
II.	**REVALUATION SURPLUS ON TANGIBLE ASSETS**		
III.	**REVALUATION SURPLUS ON INTANGIBLE ASSETS**		
IV.	**TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS**	**143,157**	**-12,151**
V.	**PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)**		
VI.	**PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)**		
VII.	**THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES**		
VIII.	**OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY IN ACCORDANCE WITH TAS**	**454,208**	**617,218**
IX.	**DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES**	**118,708**	**-7,791**
X.	**NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+…+IX)**	**61,584**	**670,016**
XI.	**PROFIT/LOSS FOR THE PERIOD**	**2,271,539**	**2,939,156**
1.1	Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	**81,638**	**44,081**
1.2	The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement		
1.3	The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement		
1.4	Other	2,189,901	2,895,075
XII.	**TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)**	**2,333,123**	**3,609,172**

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY PRIOR PERIOD (31/12/2010)	Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Shareholders' Equity Except Minority Shares	Minority Shares	Total Shareholders' Equity
I. Beginning Balance	V-V	**3,079,639**	**1,977,491**	**31,008**		**1,404,488**	**20,362**	**3,705,309**	**-20,696**		**2,567,793**	**576,050**		**1,383**			**13,342,827**	**1,963,098**	**15,305,925**
II. Corrections Made According to TAS 8																			
2.1.The Effect of Corrections of Errors																			
2.2.The Effect of Changes in Accounting Policies																			
III. Adjusted Beginning Balance (I+II)		**3,079,639**	**1,977,491**	**31,008**		**1,404,488**	**20,362**	**3,705,309**	**-20,696**		**2,567,793**	**576,050**		**1,383**			**13,342,827**	**1,963,098**	**15,305,925**
Changes During the Period																			
IV. Increase/Decrease Due to Mergers				2,529		6,515	34	24,564			48,313						81,955	406,807	488,762
V. Marketable Securities Value Increase Fund												**682,167**					**682,167**	**58,663**	**740,830**
VI. Hedge Reserves (Effective Portion)																			
6.1. Cash Flow Hedges																			
6.2. Net Foreign Investment Hedges																			
VII. Revaluation Surplus on Tangible Assets																			
VIII. Revaluation Surplus on Intangible Assets																			
IX. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities(Joint Ventures)														-1,179			-1,179	1,179	0
X. Translation Differences									-12,151								-12,151	-74	-12,225
XI. The Effect of Disposal of Assets																			
XII. The Effect of Reclassification of Assets																			
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																			
XIV. Capital Increase		1,420,361	-361,553					-1,057,425						-1,383			0		0
14.1.Cash																			
14.2.Internal Sources		1,420,361	-361,553					-1,057,425						-1,383			0		0
XV. Share Issue																			
XVI. Share Cancellation Profits																			
XVII. Paid-in-Capital Inflation Adjustment																			
XVIII. Other (*)				400		-2,686	-63	-1,377	12		-3,058	-16,738					-23,510	13,745	-9,765
XIX. Net Profit / Loss for the Period										2,939,156							2,939,156	292,538	3,231,694
XX. Profit Distribution						201,802	7,960	1,641,472			-2,523,607						-672,373	-86,193	-758,566
20.1. Dividend Paid											-672,373						-672,373	-86,193	-758,566
20.2. Transfer to Reserves						201,802	7,960	1,641,472			-1,851,234						0		0
20.3. Other																			
Ending Balance (III+IV+V...+XVIII+XIX+XX)		**4,500,000**	**1,615,938**	**33,937**		**1,610,119**	**28,293**	**4,312,543**	**-32,835**	**2,939,156**	**89,441**	**1,241,479**		**-1,179**			**16,336,892**	**2,649,763**	**18,986,655**

(*) Impact of the consolidated subsidiaries in the current period as per the "Communiqué Amending the Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No.27824 dated 23 January 2011.

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY CURRENT PERIOD (31/12/2011)	Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Shareholders' Equity Except Minority Shares	Minority Shares	Total Shareholders Equity
I. **Beginning Balance**	V-V	**4,500,000**	**1,615,938**	**33,937**		**1,610,119**	**28,293**	**4,312,543**	**-32,835**		**3,028,597**	**1,241,479**		**-1,179**			**16,336,892**	**2,649,763**	**18,986,655**
Changes During the Period																			
II. Increases / Decreases Due to Mergers																	**0**	**100**	**100**
III. Marketable Securities Value Increase Fund												**-81,573**					-81,573	-211,590	-293,163
IV. Hedge Reserves(Effective Part)																			
4.1 Cash-flow Hedge																			
4.2 Net Foreign Investment Hedges																			
V. Revaluation Surplus on Tangible Assets																			
VI. Revaluation Surplus on Intangible Assets																			
VII. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities(Joint Ventures)																			
VIII. Translation Differences									**143,157**								**143,157**	**-1,518**	**141,639**
IX. The Effect of Disposal of Assets																			
X. The Effect of Reclassification of Assets																			
XI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																			
XII. Capital Increase																			
12.1 Cash																			
12.2 Internal Sources																			
XIII. Share Premium																			
XIV. Share Cancellation Profits																			
XV. Paid-in-Capital Inflation Adjustment																			
XVI. Other (**)						**114**		**536**			**106**						**756**	**-2,396**	**-1,640**
XVII. Net Profit / Loss for the Period										**2,271,539**							2,271,539	117,829	2,389,368
XVIII. Profit Distribution						**228,597**	**11,293**	**2,050,185**			**-3,120,727**						**-830,652**	**-81,738**	**-912,390**
18.1 Dividend Paid											-830,652						**-830,652**	**-81,738**	**-912,390**
18.2 Transfer to Reserves						228,597	11,293	2,050,185			-2,290,075						**0**		**0**
18.3 Other																			
Ending Balance (I+II+III+…+XVI+XVII+XVIII)		**4,500,000**	**1,615,938**	**33,937**	**0**	**1,838,830**	**39,586**	**6,363,264**	**110,322**	**2,271,539**	**-92,024**	**1,159,906**	**0**	**-1,179**	**0**	**0**	**17,840,119**	**2,470,450**	**20,310,569**

(**) The change in group shares.

VII. CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT CASH FLOWS	Footnotes	THOUSAND TL CURRENT PERIOD (01/01-31/12/2011)	THOUSAND TL PRIOR PERIOD (01/01-31/12/2010)
A. CASH FLOWS FROM BANKING OPERATIONS	V-VI		
1.1. Operating Profit Before Changes in Operating Assets and Liabilities		**3,342,190**	**3,466,525**
1.1.1.Interest Received		10,711,823	9,953,186
1.1.2.Interest Paid		-6,377,928	-5,557,260
1.1.3.Dividend Received		46,458	17,124
1.1.4.Fees and Commissions Received		1,788,674	1,509,200
1.1.5.Other Income		3,131,354	3,810,031
1.1.6.Collections from Previously Written Off Loans and Other Receivables		977,960	992,651
1.1.7.Cash Payments to Personnel and Service Suppliers		-3,437,169	-2,957,898
1.1.8.Taxes Paid		-486,683	-833,607
1.1.9.Other		-3,012,299	-3,466,902
1.2. Changes in Operating Assets and Liabilities		**-10,607,950**	**-106,112**
1.2.1.Net (Increase) Decrease in Financial Assets Held for Trading		65,217	-393,166
1.2.2.Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		0	0
1.2.3.Net (Increase) Decrease in Due From Banks		-3,828,083	748,836
1.2.4.Net (Increase) Decrease in Loans		-24,881,919	-16,433,438
1.2.5.Net (Increase) Decrease in Other Assets		-1,023,761	-1,663,917
1.2.6.Net Increase (Decrease) in Bank Deposits		-563,132	761,011
1.2.7.Net Increase (Decrease) in Other Deposits		5,961,556	15,634,602
1.2.8.Net Increase (Decrease) in Funds Borrowed		2,829,517	-378,672
1.2.9.Net Increase (Decrease) in Matured Payables		0	0
1.2.10.Net Increase (Decrease) in Other Liabilities		10,832,655	1,618,632
I. Net Cash Provided From Banking Operations		**-7,265,760**	**3,360,413**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / Used in Investing Activities		**4,193,248**	**-6,136,092**
2.1.Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-68,457	-119,720
2.2.Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		61,946	166,738
2.3.Tangible Asset Purchases		-307,814	-502,786
2.4.Tangible Asset Sales		245,341	395,088
2.5.Cash Paid for Purchase of Financial Assets Available for Sale		-17,699,919	-34,663,267
2.6.Cash Obtained from Sales of Financial Assets Available for Sale		21,253,406	29,114,141
2.7.Cash Paid for Purchase of Investment Securities Held to Maturity		-34,227	-2,768,157
2.8.Cash Obtained from Sales of Investment Securities Held to Maturity		742,972	2,300,020
2.9.Other		0	-58,149
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / Used in Financing Activities		**2,540,196**	**-567,324**
3.1.Cash Obtained from Funds Borrowed and Securities Issued		5,543,230	191,242
3.2.Cash Used for Repayment of Funds Borrowed and Securities Issued		-2,090,744	0
3.3.Equity Instruments		0	0
3.4.Dividends Paid		-912,390	-758,566
3.5.Payments for Finance Leases		0	0
3.6.Other		100	0
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		**528,431**	**-167,736**
V. Net Increase / (Decrease) in Cash and Cash Equivalents		**-3,885**	**-3,510,739**
VI. Cash and Cash Equivalents at Beginning of the Period		**11,491,813**	**15,002,552**
VII. Cash and Cash Equivalents at End of the Period		**11,487,928**	**11,491,813**

VIII. STATEMENT OF PROFIT DISTRIBUTION TABLE

TÜRKİYE İŞ BANKASI A.Ş. STATEMENT OF PROFIT DISTRIBUTION TABLE	THOUSAND TL CURRENT PERIOD (31/12/2011)	THOUSAND TL PRIOR PERIOD (31/12/2010)
I.DISTRIBUTION OF CURRENT YEAR PROFIT [1]		
1.1. CURRENT PERIOD PROFIT	3,298,280	3,552,852
1.2.TAXES AND DUES PAYABLE (-)	630,793	570,642
1.2.1.Corporate Tax (Income Tax)	291,692	779,915
1.2.2.Income Tax Withholding	4,371	2,950
1.2.3.Other Taxes and Dues Payable [2]	334,730	-212,223
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	**2,667,487**	**2,982,210**
1.3.PRIOR YEARS' LOSSES (-)	0	0
1.4.FIRST LEGAL RESERVES (-)	0	141,523
1.5. OTHER STATUTORY RESERVES (-)	0	1,880,445
B. NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5)]	**2,667,487**	**960,242**
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	0	270,000
1.6.1.To Owners of Ordinary Shares	0	269,998
1.6.2.To Owners of Preferred Shares	0	2
1.6.3.To Preferred Shares (Preemptive Rights)	0	0
1.6.4.To Profit Sharing Bonds	0	0
1.6.5.To Holders of Profit / Loss Share Certificates	0	0
1.7.DIVIDENDS TO PERSONNEL (-)	0	138,049
1.8.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	1,725
1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)	0	420,878
1.9.1.To Owners of Ordinary Shares	0	420,871
1.9.2. To Owners of Preferred Shares	0	3
1.9.3 To Preferred Shares (Preemptive Rights)	0	4
1.9.4.To Profit Sharing Bonds	0	0
1.9.5.To Holders of Profit / Loss Share Certificates	0	0
1.10.SECOND LEGAL RESERVES (-)	0	60,565
1.11.STATUTORY RESERVES (-)	0	0
1.12.EXTRAORDINARY RESERVES	0	69,024
1.13.OTHER RESERVES	0	0
1.14.SPECIAL FUNDS	0	0
II. DISTRIBUTION FROM RESERVES		
2.1.DISTRIBUTED RESERVES	0	0
2.2.SECOND LEGAL RESERVES (-)	0	0
2.3.DIVIDENDS TO SHAREHOLDERS (-)	0	0
2.3.1.To Owners of Ordinary Shares	0	0
2.3.2 To Owners of Preferred Shares	0	0
2.3.3. To Preferred Shares (Preemptive Rights)	0	0
2.3.4.To Profit Sharing Bonds	0	0
2.3.5.To Holders of Profit / Loss Share Certificates	0	0
2.4.DIVIDENDS TO PERSONNEL (-)	0	0
2.5.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	0
III. EARNINGS PER SHARE		
3.1. TO OWNERS OF ORDINARY SHARES [3]	0.0237	0.0265
3.2. TO OWNERS OF ORDINARY SHARES (%)	59	66
3.3. TO OWNERS OF PREFERRED SHARES [3]	0	0
3.4. TO OWNERS OF PREFERRED SHARES (%)	0	0
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES [3]	0	0.0061
4.2. TO OWNERS OF ORDINARY SHARES (%)	0	15
4.3. TO OWNERS OF PREFERRED SHARES [3]	0	0.0018
4.4. TO OWNERS OF PREFERRED SHARES (%)	0	18

(1) The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.
(2) The amount included in Other Taxes and Dues Payable refers to Deferred Tax Income, which will not be included within the profit distribution.
(3) Expressed in full TL

PART THREE: EXPLANATIONS ON ACCOUNTING POLICIES

I. Explanations on the Basis of Presentation

1. Basis of Presentation

The consolidated financial statements and related disclosures and notes in this report are prepared in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks and the other regulations, communiqués, disclosures and circulars related to the accounting and financial reporting principles published by the Banking Regulatory and Supervisory Agency ("BRSA").

Accounting policies and measurement principles used in the preparation of the consolidated financial statements are presented in detail below:

2. Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

II. Explanations on the Usage Strategy of Financial Instruments and on Foreign Currency Transactions

1. The Group's Strategy for the Use of Financial Instruments

The Group's main financial activities comprise a wide range of activities such as banking, insurance and reinsurance services, brokerage services, real estate portfolio management, financial lease, factoring services, portfolio management. The liabilities on the Group's balance sheet are mainly composed of relatively short-term deposits, parallel to general liability structure of the banking system, which is its main field of activity. As for the non-deposit liabilities, funds are collected through medium and short-term instruments. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Parent Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey (CBT). The liquidity of the Group and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the developments in the sector fixed and floating rate placements are made according to the yields of alternative investment instruments. High yielding Eurobonds and government debt securities portfolios are of sufficient quality and quantity to reduce the risk which may arise from the fluctuations in the interest rates.

By taking into account the international and national economic outlook, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity and currency risks, the Group's placements are focused on high yielding and low risk assets and safety principle has always been the top priority. Generally a pricing policy aiming at high return is implemented in the long-term placements of the Group, and attention is paid to the maximum use of non-interest income generation opportunities.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Parent Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Parent Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits specified by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

2. Explanations on Foreign Currency Transactions

The financial statements of the Parent Bank's branches and financial institutions that have been established abroad are prepared in functional currency prevailing in the economic environment that they operate in; and when they are consolidated, they are presented in TL, which is the functional currency of the Parent Bank and also the currency used in presentation of the financial statements.

Foreign currency monetary assets and liabilities on the balance sheet are converted to Turkish Lira by using the prevailing exchange rates at the balance sheet date. Non-monetary foreign currency items measured at fair value are converted by the rates at the date of the fair value assessments. Exchange rate differences arising from the conversion of monetary items and the collections and payments in foreign currency are recognized in the income statement.

In accordance with TAS 21 "Effects of Changes In Foreign Exchange Rates", net investments in non-domestic companies are considered as non-monetary items, measured on the basis of historical cost and converted to Turkish Currency at the currency rates at the transaction date, and also in accordance with TAS 29 "Financial Reporting In Hyperinflationary Economics", the inflation adjusted value is calculated by using the inflation indices prevailing between the date of transaction and final date that the inflation adjustment is applied, 31 December 2004, and it is accounted by allocating provision amounts for any permanent impairment losses.

While the Parent Bank and Türkiye Sınai Kalkınma Bankası A.Ş., one of the consolidated subsidiaries, use their own foreign currency exchange rates for their foreign currency transactions, other institutions that are residing domestically use the CBT rates for their foreign currency transactions.

The Bank's end of period foreign currency rates are taken into account for conversion to TL of the assets and liabilities of the branches and financial institutions that have been established abroad. Income and expense of foreign branches are converted to TL at the foreign currency rates on the transaction date, income and expense of foreign financial institutions are converted to TL at average foreign currency rates as long as there is not a significant fluctuation in currency rates during the period. The exchange rate differences arising from the conversions are recorded in the "Other Profit Reserves" account under the shareholders' equity.

III. Information about the Consolidated Companies

1. Basis of Consolidation:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No.26340 dated 8 November 2006.

a. Basis of consolidation of subsidiaries:

A subsidiary is an entity that is controlled by the Parent.

Controlling means that the Parent Bank's power to appoint or remove from office the decision-taking majority of the board members through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent 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.

As per the "Communiqué Related to the Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette No.26340 dated 8 November 2006, as of the current period, the Parent Bank has no subsidiaries, qualified as credit institutions or financial institutions, excluded from consolidation. Efes Varlık Yönetimi A.Ş. and Is Investment Gulf Ltd., which began to operate in the year 2011, and CJSC İşbank, whose share transfer process was finalized were included in consolidation during the current period. Detailed information about the consolidated subsidiaries is given in Part Five, Note I.8.b.

Under full consolidation method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent 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 Parent 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.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements. Within this framework, there is no item where a different accounting policy is applied.

TFRS 3 "Business Combinations" standard prescribes no depreciation to be recognized for goodwill arising on the acquisitions on or after 31 March 2004, realizing positive goodwill as an asset and application of impairment analysis as of balance sheet dates. In the same standard, it is also required from that date onwards that the negative goodwill, which occurs in the case of the Group's interest in the fair value of acquired identifiable assets and liabilities exceeds the acquisition cost to be recognized in profit or loss.

The details of positive goodwill obtained from Group's investments to its subsidiaries in investment basis are as follows:

Name of the Investment	Amount of the Positive Consolidation Goodwill
İş Finansal Kiralama A.Ş.	611
Türkiye Sınai Kalkınma Bankası A.Ş.	4,792
Anadolu Anonim Türk Sigorta Şirketi	1,767
CJSC İşbank (*)	22,420
Total	**29,590**

(*) For the measurement of goodwill that occurred during the purchase, the book values of CJSC İşbank's assets and liabilities in the financial statements were used, which were prepared in accordance with the International Financial Reporting Standards that were valid right before the acquisition date. According to the TFRS 3 "Conglomerate Mergers", the measurements made on the extrinsic values should be amended within 12 months after the transaction date. For this reason, it is probable that there might be amendments on the fair values of the identifiable assets that are purchased and the liabilities that are taken over and therefore on the book value of the goodwill.

b. Basis of consolidation of associates:

An associate is a domestic or foreign entity which the Parent Bank participates in its capital and over which it has a significant influence but no control.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds qualified shares in the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude the Parent Bank from having significant influence.

Qualified share is the share that directly or indirectly constitutes ten or more than ten percent of an entity's capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.

Equity accounting method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted in the Parent Bank's balance sheet. The difference is recognized in profit or loss in the consolidated income statement.

The accounting policies of Arap-Türk Bankası A.Ş., the only associate that is consolidated using the equity accounting method are not different than the Parent Bank's. Thus, no adjustments of compliance have been applied.

The special purpose entities established for the Bank's securitization loan transactions are included in the financial statements in accordance with the Interpretation Nr: 12 to Turkish Accounting Standards "Consolidation – Special Purpose Entities".

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint venture to be consolidated.

d. Principles applied during share transfer, merger and acquisition: None.

2. Presentation of unconsolidated subsidiaries, associates and equity securities included in the available-for-sale portfolio in consolidated financial statements:

Equity securities followed under subsidiaries, associates and financial assets available for sale are accounted in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" in the consolidated financial statements. 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. Subsidiaries and associates whose equity securities are not traded in an active stock exchange are followed 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.

IV. Explanations on Forward and Option Contracts and Derivatives Instruments

The Group's derivative transactions predominantly consist of currency and interest rate swaps, forward foreign currency buy/sell transactions, currency and interest rate options. The Group has no derivative products that are separated from the host contract.

Derivative transactions are carried at their fair values at the contract dates and the receivables and payables arising in these transactions are followed under off-balance sheet accounts. Derivative transactions are valued at their fair values in the reporting periods following their recording and the valuation differences are shown under the accounts, "Derivative Financial Assets Held for Trading" and "Derivative Financial Liabilities Held for Trading", depending on the difference being positive or negative. Even though some derivative transactions economically provide risk hedging, since not all the necessary conditions are met for them to be defined as items suitable for financial risk hedging accounting, they are recognized as "held for trading purposes" within the scope of TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement". The valuation differences arising from the valuation of derivative transactions are associated with the income statement.

On the other hand, on the off-balance sheet table, the options that generate assets for the Group are presented under "call options" line and the ones that generate liabilities are presented under "put options" line.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis by using the effective interest method (the ratio which equalizes the future cash flows of a financial asset or liability to net present book value) within the framework of TAS 39 "Financial Instruments: Recognition and Measurement".

Accrued interests and other interest receivables on loans and other receivables that are classified as non-performing are cancelled and the relevant figures are recorded as interest income only when collected.

VI. Explanations on Fee and Commission Income and Expenses

Fee and commission income and expenses are recorded either on accrual basis or by using the effective interest rate method. Income gained in return for services rendered contractually or due to operations like sale or purchase of assets on behalf of a third party real person or corporate body are recorded in the income accounts in the period when they are collected.

VII. Explanations on Financial Assets

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

1. Cash and Banks

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

2. Marketable Securities

a. Financial Assets at Fair Value through Profit And Loss

a.1. 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 which are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial assets held for trading are recognized at their fair values in the balance sheet and thereafter carried at fair values. 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. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are booked under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is booked under the "Gains on Securities Trading" account. If the fair value is under the amortized cost, the negative difference is booked 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.

a.2. Financial Assets at Fair Value through Profit and Loss

Financial Assets Classified at Fair Value through Profit and Loss are financial assets which have not been acquired for trading purposes, but classified as at fair value through profit and loss at the initial accounting. The recognition of such assets at fair value is accounted similar with the financial assets held for trading.

b. Explanations on Financial Assets Available for Sale and Investments Held to Maturity

b.1. Explanations on Financial Assets Available for Sale

Financial assets available for sale are non-derivative financial assets other than loans and receivables originated by the Parent Bank, other than those classified as financial assets at fair value through profit and loss, and other than investments held to maturity. Initial recognition and the subsequent valuation of financial assets available for sale, including their transaction costs, is made on a fair value basis and the difference between the cost and the "amortized cost" calculated using the "Internal Rate of Return Method" is reflected to the income statement. In conditions where values that form the basis of fair value do not exist under active market conditions, it is deemed that the fair value is not reliably determined and the amortized cost calculated using the "Internal Rate of Return Method" is taken into account as the fair value. Unrealized profit and loss resulting from the changes in fair values of the financial assets available for sale, are not reflected to the income statement until the corresponding values are realized through sale or disposal, rather they are recognized in the "Marketable Securities Valuation Differences" account under the shareholders' equity. In the event of any disposal or redemption of the relevant asset, the fair value differences accumulated in the shareholders' equity, resulting from market valuation are reflected to the income statement.

b.2. Explanations on Investments Held to Maturity

Investments held to maturity are non-derivative financial assets, other than loans and receivables originated by the Parent Bank, and other than those which are classified as financial assets at fair value through profit/loss at initial recognition and other than those which are defined as available for sale. These financial assets are held with the intention of being retained until the maturity date, and for which the required conditions, including the capability of being funded, are secured for holding until maturity, and they have a fixed maturity date or a maturity date that can be deemed fixed due to its determinable payments. Investments held to maturity that are initially recorded at their fair values including the cost of transaction, are carried at amortized cost, calculated using the internal rate of return method, less any impairment losses. "Interest Income" generated from investments held to maturity is accounted as interest income in the income statement.

The Group has no financial assets that have been previously classified as held to maturity investments but cannot be classified as held to maturity for two consecutive years due to "tainting" rules.

3. Loans and Receivables

Loans and receivables are financial assets, which are generated by providing funds, goods or services to the debtor, with fixed or determinable repayment schedules and which are not traded in an active market.
The initial recognitions of loans and receivables are made at the cost of acquisition and subsequent measurements are made at amortized cost, which is calculated using the internal rate of return method.

Retail and commercial loans that are followed under cash loans are accounted at original maturities, based on their contents, under the accounts defined by the Uniform Code of Accounts (UCA) and the Explanatory Manual.

Foreign currency indexed loans are converted to Turkish Lira at the rates prevailing at the opening date; they are followed under the Turkish Currency ("TL") accounts, and amount of increases or decreases in the principal amount of the loans, depending on the exchange rate of the following periods being higher or lower than the ones on the lending date, are recognized in the profit/loss accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the "Foreign Exchange Gain/Loss" accounts.

VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Group companies evaluate the carrying amount of its financial assets or a group of its financial assets to determine whether there is an objective indication if those assets have suffered an impairment loss. Where there is impairment, the related impairment amount is measured.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event (loss/damage event) subsequent to initial recognition of that financial asset; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the future cash flows of the related financial asset and asset group. Irrespective of the probability, no estimated loss that might arise from future events is recognized in the financial statements.

If there is an impairment loss in investments held to maturity, the amount of loss is measured as the difference between the book value and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate, and the book value of the asset shall be reduced by recognizing such loss. In the following periods, if the amount of impairment loss decreases, the previously recognized amount shall be reversed.

In case an available-for-sale financial asset, which is accounted at fair value and whose value increases and decreases are recognized directly in equity, is impaired, accumulated profit or loss that had been recognized directly in equity shall be removed from equity and recognized in period net profit or loss. If, in a subsequent period, the fair value of the related financial asset increases, the impairment loss is cancelled.

Loans are classified and followed in line with the provisions of the "Regulation on the Methods and Principles Related to Identification of Loans and Other Receivables and Provisioning against Them", published on the Official Gazette nr.26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the "Provision Expenses" account and the released parts of the provisions from the previous years are transferred to and recognized in the "Other Operating Income" account.

Apart from specific provisions, the Parent Bank and the financial institutions affiliated to the Group also allocates general loan loss provision against loans and other receivables.

IX. Explanations on Offsetting Financial Instruments

Financial assets and liabilities are offset when the Group has a legally enforceable right to offset, and when the Group has an intention of collecting or paying the net amount of related assets and liabilities or when the Group has the right to offset the assets and liabilities simultaneously.

X. Explanations on Sale and Repurchase Agreements and Securities Lending Transactions

Securities subject to repo (repurchase agreements) are classified as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale" or "Investments Held to Maturity" according to their purposes to be held in the Group's portfolio and evaluated within the principles of the relevant portfolio.

Funds obtained from repurchase agreements are followed under the "Funds Provided Under Repurchase Agreements" account in liabilities, and interest expense accruals are calculated using the internal rate of return method on the difference between the sales and repurchase prices corresponding to the period designated by a repurchase agreement.

Reverse repo transactions are recorded under the "Receivables from Reverse Repurchase Agreements" account. Interest income accruals are calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a reverse repo agreement.

XI. Explanations on Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities

Assets held for sale are measured at the lower of the carrying value of assets and fair value less any cost incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. An asset shall be classified as held for sale, only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed of (or else the group of assets), together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. Various events and conditions may extend the completion period of the disposal more than a year. If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

A discontinued operation is a part of the Bank's business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. Neither the Parent Bank nor its financial institutions have any discontinued operation.

XII. Explanations on Goodwill and Other Intangible Assets

The Group's intangible assets consist of consolidation goodwill and software programs.

Goodwill arising from the acquisition of a subsidiary or joint venture represents the excess of cost of acquisition over the fair value of Group's share of the identifiable assets, liabilities, or contingent liabilities of the acquired subsidiary or joint venture at the date of acquisition of the control. Goodwill is recognized as an asset at cost and then carried at cost less accumulated impairment losses. In impairment-loss test, goodwill is allocated between the Group's every cash-generating unit that is expected to benefit from the synergies of the business combination. To control whether there is an impairment loss in the cash-generating units that goodwill is allocated, impairment- loss test is applied every year or more often if there is indications of impairment loss. In the cases, recoverable amount of cash-generating unit is smaller than its book value; impairment loss is firstly used in reduction of book value of the cash-generating unit, and then the other assets proportionally. Goodwill which is allocated for the impairment losses could not be reversed. When a subsidiary or joint venture is to be sold, related goodwill amount is combined with the profit/loss relating to this disposal. Positive goodwill arising from the Group's investments in its subsidiaries is recognized in Intangible Assets. Explanations on consolidation goodwill are given in note III.1.a. in Part Three.

As for the cost of other intangible assets, the purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 "Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Such assets are amortized by the straight-line method in a period between 1-15 years considering their useful life. The amortization method and period are periodically reviewed at the end of each year.

XIII. Explanations on Tangible Assets

Tangible assets purchased before 1 January 2005, are presented in the financial statements at their inflation adjusted acquisition costs as of 31 December 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 "Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Assets under construction for leasing or for administrative purposes or for other objectives, which are not presently determined, are amortized when they are ready for use.

The acquisition costs of tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized prospectively.

Assets acquired through finance lease are amortized at the estimated useful life or the leasing period, whichever is shorter.

Costs of operational lease development are amortized at equal amounts considering the period of benefit. Yet, in any case, the period of benefit cannot exceed the period of lease. In case the period of lease is indefinite or longer than 5 years, the amortization period is considered to be 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets or the inactivation of a tangible asset and the book value of the tangible asset are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages on tangible assets.

The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	4-50	2-25%
Safe Boxes	2-50	2-50%
Other Movables	1-50	2-100%
Leased Assets	4-5	20-25%

XIV. Explanations on Investment Property

Investment property is constituted of the property held by the Group to earn rent. These are listed in the attached consolidated financial statements at acquisition costs less accumulated amortization and impairment provisions. The accounting policies mentioned for tangible assets are also valid for investment property.

XV. Explanations on Leasing Transactions

Assets acquired through finance lease are capitalized by the lower of the fair values and the discounted values of the leasing payments and the total amount of leasing payments are recorded as liabilities while the interest amounts are recorded as deferred interest expense. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated. Within the context of the Group's general borrowing policy, financial expenses are recognized in the income statement. Leased assets are recorded under "Tangible Assets" account and they are amortized by straight-line method.

There is one company which exclusively does finance leases (İş Finansal Kiralama A.Ş.) and one bank (Türkiye Sınai Kalkınma Bankası A.Ş.) which operates finance lease activities as per provisional article nr.4 of the Banking Law Nr.5411. Finance lease activities are operated according to the "Law on Financial Leasing" nr. 3226.

In cases when the Group is the "lessor", finance lease receivables are recognized by their fair values on the first entry date and in the reporting periods after the first entry date they are carried at amortized cost by using the effective interest rate method. Interest income on finance lease is allocated to the accounting periods in order to reflect a fixed term interest from the investments that are subject to leasing.

Transactions related to operating lease are accounted as per the provisions of the relevant agreement and on accrual basis.

XVI. Explanations on Insurance Technical Income and Expense

In insurance companies premium income is obtained subsequent to the share of reinsurers in policy income is diminished.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

XVII. Explanations on Insurance Technical Provisions

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement".

Within the framework of the current insurance regulation, provisions made by insurance companies for unearned premium claims, unexpired risk reserves, outstanding claims and life-mathematical provisions take place in the consolidated financial statements.

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision, is added to the unearned premium provision of that branch.

Provision for outstanding claim is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

Mathematical provision is recognized on actuarial bases in order to meet the requirements of policyholders and beneficiaries for life, health and personal accident insurance contracts for a period longer than a year.

On the other hand, actuarial chain ladder method is used to estimate the provision amount to be set aside in the current period by looking at the data of the past materialized losses. If the provision amount found as a result of this method exceeds the amount of provision for the amount of uncertain indemnity, additional provision must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

XVIII. Explanations on Provisions and Contingent Liabilities

Provision is set aside in the financial statements in case that a liability resulting from past events exists, that an outflow funds, which have economic use is probable in order to fulfill the liability and that the amount of the related liability can be estimated reliably.

The provision amount is calculated by way of most reliable estimates of the expense to be made by the Parent Bank's and Group companies' management as at the balance sheet date to fulfill the liability by considering the risks and uncertainties related to the liability.

In case the provision is measured by using the estimated cash flows required to fulfill the existing liability, the book value of the related liability is equal to the present value of the related cash flows.

In case there is no probability of equity fund outflow in order to fulfill the liability and that the amount of liability cannot be measured in a sufficiently reliable way, the liability is considered as "Contingent Liability" and information is given thereon in the footnotes.

XIX. Explanations on Contingent Assets

Contingent assets consist of unplanned or other unexpected events that usually cause a probable entry of economic uses in the Parent Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements, but on the other hand, if the entry of the economic uses of these assets in the Parent Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the entry of the economic use in the Parent Bank is almost certain, the related asset and the respective income are shown in the financial statements of the period in which the change occurred.

XX. Explanations on Liabilities Regarding Employee Benefits

1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the Parent Bank and consolidated Group companies (excluding the subsidiaries residing outside Turkey) are obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who 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 İsbank's non-resident subsidiaries operate do not require retirement pay provision, no provision liability has been recognized for the related companies. In addition, provision is also allocated for the unused paid vacation.

2. Retirement Benefit Obligations

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each employee of the Parent Bank is a member, has been established according to the provisional Article 20 of the Social Security Act No. 506. As per provisional article nr.23 of the Banking Law Nr.5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Institution Law, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 nr. 2006/11345. However, the related article of the act has been cancelled upon the President's application dated 02 November 2005, by the Supreme Court's decision dated 22 March 2007, nr. E.2005/39, K.2007/33, which was published on the Official Gazette dated 31 March 2007 and nr. 26479 and the execution decision were ceased as of the issuance date of the related decision.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and nr.26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law nr. 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 08 May 2008 and nr. 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation, and that the three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision. The related three-year transfer period has been prolonged for 2 years by the Cabinet decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and nr. 27900.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

The above mentioned 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, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, 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 the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash,

- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Parent Bank had an actuarial valuation made for the aforementioned pension fund as of 31 December 2011 and set aside additional provision for the difference between the amount of the actuarial and technical deficit in the actuarial report dated 16 January 2012 and the amount of provision set aside in the financial statements until the current period. The actuarial assumptions used in the related actuarial report are given in Part Five Note II-8. Besides the Parent Bank, Milli Reasürans T.A.Ş., one of the Group companies, also had an actuarial audit as of 31 December 2011 for the pension fund and the amount of actuarial and technical deficit, which was measured according to this report and reflected to the year-end financial statements, was kept in the financial statements for the current period.

Up to now, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund), which has been founded by the Parent Bank employees in accordance with the rules of the Civil Code and which provides subsequent retirement benefits; and the Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of covering its total obligations, and that it shall not constitute an additional liability for the Bank. The same is valid 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.

XXI. Explanations on Taxation

1. Corporate Tax:

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

In accordance with Article nr. 32 of the Corporate Tax Law nr. 5520, 20% rate is used in the calculation of the corporate tax. As per the related law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The temporary provisional tax for the end of the year 2011was paid in February 2012 and will be offset with the current period's corporate tax.

Tax expense is the total amount of current tax and deferred tax. Tax liability for the current period is calculated over the taxable part of the period profit. Taxable profit differs from the profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxes are shown in the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law nr. 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovables are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

2. Deferred Tax:

Deferred tax asset or liability is recognized by calculating the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit and this calculation is made by using the balance sheet liability method based on enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The general provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

Deferred tax assets and liabilities in the financial statements of banks and companies are shown by way of offsetting. In the consolidated financial statements, on the other hand, the deferred tax assets and liabilities that come from the companies as offset are separately shown in the assets and liabilities.

3. Tax Practices in the Countries that Foreign Branches Operate:

<u>Turkish Republic of Northern Cyprus (TRNC)</u>

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% corporate tax and 15% income tax. The tax bases for companies are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of the companies. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is are higher than the corporate tax payable, the difference is deducted from income tax payable.

<u>England</u>

Corporate gains are subject to 26% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the tax base of the relevant year, is higher than the amount found by dividing 1.5 million GBP, as specified in regulations, by the number of participations, in which the Bank has 75% or more share, plus one, the corporate tax payments are made as temporary tax payments in four installments in July and October of the relevant year and in January and April of the following year. Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the afore-mentioned threshold, corporate tax is paid by the end of January of the second year following the year that the profit is made.

<u>Bahrain</u>

Banks in Bahrain are not subject to tax according to the regulations of the country.

The Republic of Iraq (Iraq)

Corporate gains are subject to 15% income tax in Iraq. Income tax is accrued at the end of the year and paid in the following year to the related tax administration by the end of June, at the latest.

Germany

According to the tax regulations in Germany, corporate gains are subject to 15% corporate tax. In addition to this, a solidarity tax of 5.5% is calculated over this corporate tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to Germany regulations, to interest, commissions and other operating gains and by subtracting exemptions and deductions from these. The corporate tax payments are made as temporary tax payments in four installments and are deducted from the corporate tax that is finalized at the end of the current year.

Russia

According to the Russian regulations, corporate gains are subject to 20% corporate tax. The corporate tax base is determined on accrual basis and it is measured by adding the non-deductible expenses to the corporate income gained during the period. Companies in Russia make an advance tax payment every month at an amount of one third of the tax liability related to the previous quarter, make quarterly tax returns and make provisional tax payment by offsetting the advance taxes paid during the period. Final taxation period for corporate tax is one year and the corporate tax is paid at the end of the following year's March by considering the provisional taxes paid during the year. The losses occurred in the previous taxation periods can be offset by the current period tax base, but provided that it is limited to the period of the last 10 years.

United Arab Emirates

The companies operating in the free zones of Dubai are not subject to tax according to the country's legislation.

4. Transfer Pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

XXII. Additional Explanations on Borrowings

The Parent Bank and its consolidated Group companies resort to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bills, bonds. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

XXIII. Explanations on Share Certificates and Issues

Costs incurred during the issue of shares are accounted as expenses.

Dividend payments are determined by the resolution of the General Assembly of Shareholders of the Parent Bank.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Parent Bank's earnings per share calculations taking place in the consolidated income statement are as follows.

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	Current Period	Prior Period
Profit attributable to shareholders	2,271,539	2,939,156
Weighted average number of share certificates ('000)	112,502,250	112,502,250
Earnings per share – in exact TL	0.020191054	0.026125309

XXIV. Explanations on Bank Acceptances and Bills of Guarantee

The Parent Bank's acceptances and bills of guarantee are accounted concurrently with the payments by customers, and are shown as potential liabilities and commitments under off-balance sheet items.

XXV. Explanations on Government Incentives

None.

XXVI. Explanations on Segment Reporting

Business segment is the part of an enterprise,

- which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise),
- whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment, and
- which has its separate financial information.

Information on the Group's activity segmentation is given in Part Four Note XI.

XXVII. Explanations on Other Issues

None.

PART FOUR: INFORMATION ON THE FINANCIAL STRUCTURE

I. Explanations on Consolidated Capital Adequacy Standard Ratio

The Group's and the Parent Bank's capital adequacy standard ratios are 14.11% and 14.07% respectively. Bank-Only and consolidated capital adequacy standard ratios are calculated by risk weighting of risk-weighted assets and non-cash loans in accordance with the ratios in the relevant legislation, and by adding the Value at Market Risk which is determined by the Standard Method, and the Value at Operational Risk which is determined by the Basic Indicator Approach, to the risk-weighted assets.

Information related to the Parent Bank's capital adequacy ratio:

	Risk Weights						
	Bank Only						
	0%	10%	20%	50%	100%	150%	200%
Value at Credit Risk							
Balance Sheet Items (Net)	**31,139,072**		**2,874,638**	**17,454,001**	**75,411,974**	**1,340,825**	**2,905,123**
Cash	1,231,348		116				
Securities in Redemption							
Balances with the Central Bank of Turkey	5,689,128						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches			2,010,947		242,952		
Interbank Money Market Placements	43,127						
Receivables from Reverse Repo Transactions							
Reserve Deposits	6,816,313						
Loans	3,270,203		442,100	17,081,852	65,183,980	1,340,825	2,905,123
Non-performing Loans (Net)							
Lease Receivables							
Financial Assets Available for Sale							
Investments Held to Maturity	11,752,085				20,322		
Receivables From Installment Sale of Assets					55		
Miscellaneous Receivables					1,119,947		
Interest and Income Accruals	1,735,986		23,012	372,149	799,774		
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)					6,275,017		
Tangible Assets					1,735,806		
Other Assets	600,882		398,463		34,121		
Off Balance Sheet Items	**128,098**		**2,447,221**	**781,943**	**22,011,235**		
Non-cash Loans and Commitments	128,098		1,388,564	781,943	21,684,253		
Derivative Financial Instruments			1,058,657		326,982		
Non- Risk-Weighted Accounts							
Total Risk Weighted Assets	**31,267,170**		**5,321,859**	**18,235,944**	**97,423,209**	**1,340,825**	**2,905,123**

Information related to consolidated standard capital adequacy ratio:

	Risk Weights						
	Consolidated						
	0%	10%	20%	50%	100%	150%	200%
Value at Credit Risk							
Balance Sheet Items (Net)	**33,850,452**		**6,382,662**	**18,878,374**	**86,157,715**	**1,340,833**	**2,905,132**
Cash	1,260,258		116				
Securities in Redemption							
Balances with the Central Bank of Turkey	5,696,981						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches	133,188		4,319,050		284,949		
Interbank Money Market Placements	43,127						
Receivables from Reverse Repo Transactions	7,949						
Reserve Deposits	6,929,222						
Loans	3,317,629		1,269,131	18,287,871	70,555,803	1,340,833	2,905,132
Non-performing Loans (Net)							
Lease Receivables	2,519		5,609	107,462	1,240,810		
Financial Assets Available for Sale (1)	1,768,150		44,753				
Investments Held to Maturity	11,948,996				20,322		
Receivables From Installment Sale of Assets					293		
Miscellaneous Payables			301,765		5,601,704		
Interest and Income Accruals	1,931,251		43,775	483,041	1,057,693		
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)					3,904,633		
Tangible Assets					3,076,518		
Other Assets	811,182		398,463		414,990		
Off Balance Sheet Items	**149,950**		**5,364,312**	**844,787**	**23,083,205**		
Non-cash Loans and Commitments	149,950		4,232,807	844,787	22,733,364		
Derivative Financial Instruments			1,131,505		349,841		
Non- Risk-Weighted Accounts							
Total Risk Weighted Assets	**34,000,402**		**11,746,974**	**19,723,161**	**109,240,920**	**1,340,833**	**2,905,132**

(1)Total amount of the financial assets available-for-sale is composed of marketable securities blocked on behalf of insured clients of Anadolu Hayat Emeklilik A.Ş. (Private Pension), one of the Group companies.

Summary information about the consolidated standard capital adequacy standard ratio:

	Bank-Only		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Value at Credit Risk (VaCR)	115,427,036	80,616,131	129,273,410	89,837,922
Value at Market Risk (VaMR)	5,773,788	5,525,375	8,217,200	7,608,263
Value at Operational Risk (VaOR)	11,275,425	10,715,692	12,726,641	12,813,313
Shareholders' Equity	18,643,083	16,995,505	21,199,045	19,350,844
Shareholders' Equity/(VaCR+VaMR+VaOR)*10	14.07	17.55	14.11	17.55

Information about the consolidated shareholders' equity items:

	Current Period	Prior Period
CORE CAPITAL (TIER I)		
Paid-In Capital	**4,500,000**	**4,500,000**
Nominal Capital	4,500,000	4,500,000
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,615,938
Share Premium	33,937	33,937
Share Cancellation Profits		
Legal Reserves	1,838,830	1,610,119
I. Legal Reserve (Turkish Commercial Code 466/1)	1,497,181	1,337,990
II. Legal Reserve (Turkish Commercial Code 466/2)	341,648	272,128
Other Legal Reserve Per Special Legislation	1	1
Statutory Reserves	39,586	28,293
Other Profit Reserves	110,322	-32,835
Extraordinary Reserves	6,186,784	4,312,543
Reserves Allocated by the General Assembly	5,753,686	3,858,274
Retained Earnings	433,098	454,269
Accumulated Loss		
Exchange Rate Differences on Foreign Currency Share Capital		
Legal, Statutory and Extraordinary Reserves Inflation Adjustments		
Profit	2,179,515	3,028,597
Current Period Profit (1)	2,271,539	2,939,156
Prior Periods' Profit	-92,024	89,441
Provision for Possible Losses (up to 25% of the Core Capital)	950,000	950,000
Gain on Sale of Associates, Subsidiaries and Real Estates	176,480	
Primary Subordinated Loans (up to 15% of the Core Capital)		
Minority Shares	2,451,829	2,419,552
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	121,550	116,201
Prepaid Expenses (-) (2)		311,696
Intangible Assets (-)	90,762	48,944
Deferred Tax Asset excess of 10% of the Core Capital (-)		
Limit Excesses as per Paragraph3 of Article 56 of the Banking Law (-)		
Consolidated Surplus (Net) (-)	29,590	7,170
Total Core Capital	**19,841,319**	**17,982,133**
SUPPLEMENTARY CAPITAL (TIER II)		
General Loan Loss Provision	1,315,935	745,322
45% of Movables' Revaluation Reserve		
45% of Immovables' Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures)	-1,179	-1,179
Primary Subordinated Loans Excluding the Portion included in the Core Capital		
Secondary Subordinated Loan	75,400	77,500
45% of Marketable Securities Value Increase Fund (3)	304,177	558,666
Associates and Subsidiaries	637,384	413,285
Financial Assets Available for Sale	-333,207	145,381
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments (excluding the inflation adjustments to legal reserves, status reserves and extraordinary reserves)		
Minority Shares	3,667	104,243
Total Supplementary Capital	**1,698,000**	**1,484,552**

TIER III CAPITAL		
CAPITAL	**21,539,319**	**19,466,685**
DEDUCTIONS FROM THE CAPITAL	**340,274**	**115,841**
Investments in Unconsolidated Banks and Financial Institutions		3,150
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated loan and debt instruments purchased from such parties qualified as primary or secondary subordinated loan		
Investments in Banks and Financial Institutions, to which Equity Method has been applied but whose Assets and Liabilities are Unconsolidated	74,405	64,563
Loans granted against the articles 50 and 51 of the Banking Law	326	
Net book values of immovables exceeding 50% of the capital and of assets acquired against Overdue receivables and held for sale as per article 57 of the Banking Law but retained more than five years	66,334	48,128
Others (4)	199,209	
TOTAL SHAREHOLDERS' EQUITY	**21,199,045**	**19,350,844**

(1) Difference between the effective and direct shareholding was TL 46,812 in the current period. (31 December 2010: TL 32,256)
(2) As per the "Regulation Amending the Regulation on Equities of Banks", published on the Official Gazette dated 10 March 2011 and nr. 27870, "Prepaid Expenses" have been removed from the items deducted from the core capital.
(3) According to the related regulation, when calculating the supplementary capital, total balance amount is taken into consideration if the items subject to the Marketable Securities Value Increase Fund have a negative balance, and 45% of the balance amount is taken into consideration if their balance is positive.
(4) It includes the deductions from the capital in accordance with the decision of the Banking Regulation and Supervision Agency dated 16 December 2010 and nr. 3980, published on the Official Gazette dated 18 December 2010 and nr. 27789.

II. Explanations on Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Group.

Banks and financial institutions affiliated to the Group, carry out their placement activities in accordance with the credit limitations stipulated by legal regulations of the countries in which they operate.

The Parent Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Parent Bank's Risk Group, including the Parent Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity calculated on a bank-only and consolidated basis.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

The Parent Bank and its financial affiliates give utmost importance to ensure that loans are furnished with collaterals. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees.

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic derivatives market in this particular area, the Parent Bank uses derivative transactions either for hedging or for commercial purposes.

Derivative instruments, which consist a remarkable volume, are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Parent Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the rating system that has been developed and credit limits are assigned to the related banks and financial institutions accordingly.

6. (i) The share of the Group's receivables from the top 100 cash loan customers in the overall cash loan portfolio stands at 24% (31 December 2010: 26%).

(ii) The share of the Group's receivables from the top 100 non-cash loan customers in the overall non-cash portfolio stands at 48% (31 December 2010: 44%).

(iii) The share of the Group's cash and non-cash receivables from the top 100 credit customers in the overall assets and non-cash loans stands at 14% (31 December 2010: 13%).

Companies that are among the top 100 loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory, and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the general provisions allocated for credit risk carried by the Group stands at TL 1,315,935.

8. The Parent Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period	Prior Period
Strong	34.26%	29.13%
Standard	55.06%	55.96%
Below Standard	8.74%	10.29%
Not Rated/Scored	1.94%	4.62%

The table data comprises application rating/scoring results and in case the behavior rating/scoring results are taken into account, for the current period, strong becomes 40.39%, standard 49.68%, below standard 4.82% and not rated/scored becomes 5.11%.

9. The net values of the collaterals of the Group's closely monitored loans are given below in terms of collateral types and risk matches.

	Current Period		Prior Period	
Type of Collateral	**Net Value of the Collateral**	**Loan Balance**	**Net Value of the Collateral**	**Loan Balance**
Real Estate Mortgage (1)	583,715	583,715	707,471	707,471
Vehicle Pledge	80,584	80,584	103,281	103,281
Cash Collateral (Cash provisions, securities pledge, etc.)	11,216	11,216	6,269	6,269
Pledge on Wages	72,823	72,823	46,991	46,991
Cheques & Notes	18,299	18,299	17,486	17,486
Other (Suretyships, commercial enterprise under pledge, commercial papers, etc.)	86,077	86,077	85,805	85,805
Interest and Income Accruals		629,600		560,395
Total	**852,714**	**1,482,314**	**967,303**	**1,527,698**

(1) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figure s are considered to be the net value of collaterals.

10. The net values of the collaterals of the Group's non-performing loans are given below in terms of collateral types and risk matches.

	Current Period		Prior Period	
Type of Collateral	**Net Value of the Collateral**	**Loan Balance**	**Net Value of the Collateral**	**Loan Balance**
Real Estate Mortgage (1)	471,143	471,143	512,014	512,014
Cash Collateral	551	551	54	54
Vehicle Pledge	91,382	91,382	137,220	137,220
Other (suretyships, commercial enterprise under pledge, commercial papers, etc.)	74,476	74,476	63,980	63,980

(1) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

11. The aging analysis of the loans past due but not impaired in terms of financial asset classes, is as follows:

Current Period	**31-60 Days**	**61-90 Days**	**Total**
Loans: (1)	164,310	111,586	275,896
Corporate / Commercial Loans (2)	19,851	15,308	35,159
Consumer Loans (2)	22,548	10,710	33,258
Credit Cards	121,911	85,568	207,479
Lease Receivables (3)	1,746	1,341	3,087
Insurance Receivables	12,625	4,095	16,720
Total	**178,681**	**117,022**	**295,703**

(1) The balance of loans, which are not past due or which are classified under closely monitored although being past due for less than 31 days, stands at TL 789,596.
(2) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 229,459 and TL 210,091 respectively.
(3) Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 160,540.

Prior Period	31-60 Days	61-90 Days	Total
Loans: (1)	179,849	88,044	267,893
Corporate / Commercial Loans (2)	94,942	31,142	126,084
Consumer Loans (2)	26,038	13,633	39,671
Credit Cards	58,869	43,269	102,138
Lease Receivables (3)	11,312	905	12,217
Insurance Receivables	42,573	3,386	45,959
Total	**233,734**	**92,335**	**326,069**

(1) The balance of loans, which are not past due or which are classified under closely monitored although being past due for less than 31 days, stands at TL 824,561.
(2) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 274,745 and TL 185,211 respectively.
(3) Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 180,829.

12. Credit risk by types of borrowers and geographical concentration:

	Loans to Individuals and Entities		Loans to Banks and Other Financial Institutions		Securities (1)		Other Loans (2)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Borrowers' Concentration								
Private Sector	67,869,961	44,384,911	1,877,718	1,814,428	644,601	488,322	46,252,431	27,093,054
Public Sector	2,051,990	1,551,512			45,108,289	48,439,647	231,091	140,384
Banks			1,386,173	1,426,959	2,743,532	2,568,227	39,830,239	28,793,156
Retail Customers	25,842,280	19,899,994					15,942,519	15,760,930
Share Certificates					224,508	318,135	3,979,037	3,541,421
Geographical Concentration								
Domestic	93,444,369	64,838,414	3,095,433	2,872,166	46,020,459	48,252,332	70,661,980	50,847,605
European Union (EU)	1,330,275	404,173	24,491	335,824	2,501,207	3,469,887	32,805,808	22,558,303
OECD Countries (3)	9,885	8,680		232		4,261	1,513,985	951,303
Off-Shore Banking Regions	22,982	42,540		376	147,470	50,761	114	116,490
USA, Canada	11,721	157	2,092		15,194	13,981	478,837	132,258
Other Countries	944,999	542,453	141,875	32,789	36,600	23,109	774,593	722,986
Total	**95,764,231**	**65,836,417**	**3,263,891**	**3,241,387**	**48,720,930**	**51,814,331**	**106,235,317**	**75,328,945**

(1) Includes financial assets at fair value through profit or loss, financial assets available for sale and investments held to maturity.
(2) Includes banks, money market placements, non-cash loans, commitments qua loans, investments in associates and subsidiaries, finance lease receivables, factoring receivables and derivative instruments.
(3) OECD countries other than EU countries, USA and Canada.

13. Information on geographical concentration:

	Assets (1)	Liabilities(2)	Non-Cash Loans	Fixed Capital Investments (1)	Net Profit
Current Period					
Domestic	171,936,752	129,864,717	25,617,017	67,930	2,086,284
European Union Countries	5,449,666	25,180,209	1,098,853	3,104 (3)	19,855
OECD Countries (4)	504,033	521,521	98,567		224
Off-Shore Banking Regions	170,746	45,640			141,927
USA, Canada	272,011	5,346,079	26,766		
Other Countries	1,552,697	2,667,095	367,028		23,249
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				3,978,891	
Unallocated Assets/Liabilities					
Total	**179,885,905**	**163,625,261**	**27,208,231**	**4,049,925**	**2,271,539**
Prior Period					
Domestic	138,826,900	107,292,661	15,154,854	69,250	3,083,163
European Union Countries	6,501,105	19,441,327	712,725	2,957 (3)	13,179
OECD Countries (4)	656,183	373,406	89,942		6,888
Off-Shore Banking Regions	134,726	53,187			-197,152
USA, Canada	99,306	2,671,887	31,868		
Other Countries	978,888	1,991,613	440,626		33,078
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				3,541,421	
Unallocated Assets/Liabilities					
Total	**147,197,108**	**131,824,081**	**16,430,015**	**3,613,628**	**2,939,156**

(1)The sum of assets and fixed capital investments reflect total assets in the balance sheet.
(2)Among Liabilities, the Shareholders' Equity items are not taken into consideration.
(3)The balance indicates our subsidiaries and other capital investments in EU countries.
(4)OECD countries other than EU countries, the USA, and Canada.

14. Sector concentration of cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	886,682	1.47	39,471	0.10	642,584	1.42	32,251	0.14
Farming and Raising Livestock	731,791	1.21	32,735	0.08	526,154	1.16	14,718	0.06
Forestry	111,275	0.18	354		84,497	0.19	9,568	0.04
Fishing	43,616	0.08	6,382	0.02	31,933	0.07	7,965	0.04
Industry	10,540,162	17.45	17,573,645	45.49	7,868,228	17.38	11,060,907	46.45
Mining	273,509	0.45	397,897	1.03	210,553	0.47	202,688	0.85
Production	9,325,341	15.44	11,312,766	29.28	6,982,853	15.43	7,601,737	31.92
Electricity, gas, and water	941,312	1.56	5,862,982	15.18	674,822	1.48	3,256,482	13.68
Construction	2,988,477	4.95	2,175,630	5.63	2,052,451	4.53	1,293,853	5.43
Services	20,276,530	33.57	16,257,317	42.08	14,838,562	32.78	9,612,109	40.37
Wholesale and Retail Trade	10,641,213	17.62	3,233,678	8.37	7,466,200	16.49	2,106,047	8.84
Hotel, Food and Beverage Services	655,071	1.08	1,554,015	4.02	522,347	1.15	590,653	2.48
Transportation and Telecommunication	3,727,139	6.17	4,641,859	12.01	2,493,539	5.51	2,835,700	11.91
Financial Institutions	2,325,654	3.85	2,644,231	6.84	1,891,803	4.18	2,372,923	9.97
Real Estate and Renting Services	1,334,915	2.21	2,739,172	7.09	1,218,806	2.69	1,098,218	4.61
Self-Employment Services	875,178	1.45	1,078,287	2.79	686,831	1.52	277,278	1.16
Education Services	245,307	0.41	218,554	0.57	190,410	0.42	206,677	0.87
Health and Social Services	472,053	0.78	147,521	0.39	368,626	0.82	124,613	0.53
Other	25,701,265	42.56	2,588,943	6.70	19,863,735	43.89	1,813,124	7.61
Total	**60,393,116**	**100.00**	**38,635,006**	**100.00**	**45,265,560**	**100.00**	**23,812,244**	**100.00**

III. Explanations on Market Risk:

The market risk carried by the Group is measured by two separate methods known respectively as the Standard Method and the Value at Risk (VAR) Method in accordance with the local regulations adopted from internationally accepted practices. In this context, interest rate risk emerges as the most important component of the market risk.

The consolidated market risk measurements are carried out on a quarterly basis, using the Standard Method, and the results are taken into consideration in the computation of the capital adequacy standard ratio.

The VAR Method is another alternative for the Standard Method in measuring and monitoring market risk carried by the Parent Bank. This model is used to measure the market risk on a daily basis in terms of interest rate risk, exchange rate risk and equity share risk and is a part of the Parent Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR method used to measure the losses that may occur in the ordinary market conditions are conducted, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Parent Bank's portfolio are determined and the results are reported to the Top Executive Management. Financial participations also make VAR calculations within the frame determined by the Parent Bank, and the results are reported to the Top Executive Management.

The limits set for the market risk management within the framework of the Parent Bank's asset liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out with the "Standard Method for Market Risk Measurement" and within the context of "Regulation for Evaluating and Measuring the Capital Adequacy of Banks" as of 31 December 2011.

a. Information on the market risk:

	Amount
(I) Capital Obligation against for General Market Risk – Standard Method	279,204
(II) Capital Obligation against for Specific Risk – Standard Method	94,622
(III) Capital Obligation against for Currency Risk – Standard Method	280,160
(IV) Capital Obligation against for Stocks Risk – Standard Method	3,312
(V) Capital Obligation against for Exchange Risk – Standard Method	
(VI) Capital Obligation against for Market Risk of Options – Standard Method	78
(VII) Capital Obligation against for Market Risks of Banks Applying Risk Measurement Models	
(VIII) Total Capital Obligation against for Market Risk (I+II+III+IV+V+VI)	657,376
(IX) Value at Market Risk (12.5 x VIII) or (12.5 x VII)	8,217,200

b. Table of the average market risk related to the market risk calculated quarterly during the period:

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	298,194	296,975	279,700	335,129	297,327	364,647
Share Certificate Risk	79,977	92,301	78,564	53,224	79,461	40,569
Currency Risk	266,999	276,255	237,701	183,344	190,081	147,072
Commodity Risk	6,206	17,456	2,643	9,303	35,398	247
Settlement Risk						
Options Risk	8,381	11,487	10,617	2,236	6,394	457
Total Value at Risk	**8,246,960**	**8,680,925**	**7,615,313**	**7,290,438**	**7,608,263**	**6,912,400**

IV. Explanations on Operational Risk

Operational risk is defined in general as “the risk of loss that may be arising from inadequate or ineffective internal processes, people, systems or other external factors”.

The classification of operational risks that might be encountered by the Parent Bank during the activities is followed by preparing the “Risk Catalog of the Bank”. This Risk Catalogue is the basis to be used in the definition and classification of all risks that may be exposed to and is updated parallel to the changing conditions.

The principles on specifying, defining, evaluating, measuring, monitoring, controlling and reporting the operational risk and the responsibilities regarding operational risk management are stated in the “Operational Risk Policy”.

In the assessment of operational risk, “Self-Assessment Methodology” is applied. This method requires identifying the risks through the participation of the personnel who is responsible for undertaking the operation. Both qualitative and quantitative methods are used in the measurement and evaluation of operational risk. Information derived from the “Impact-Likelihood Analysis” and “Lost Case Data Analysis” is used in the measurements.

All the operational risks that are carried during the operations, the risk levels of the operations and/or new products/services, together with the losses of the Parent Bank arising from operational risks are regularly monitored by the Bank’s Risk Management Division, and if deemed necessary, the risk levels are updated and periodically reported to the Risk Committee and the Board of Directors.

The operational risk, to which the Group is exposed, is measured using the Basic Indicator Approach in which the average of 15% of the year-end gross income of the last three years is multiplied by 12.5, in line with the domestic regulations. The operational risk amount used for the current period is TL 12,726,641 (31 December 2010: TL 12,813,313).

V. Explanations on Currency Risk

The currency risk for the Group is a result of the difference between the Group’s assets denominated in and indexed to foreign currencies and liabilities denominated in foreign currencies. On the other hand, parity fluctuations of different foreign currencies are also another element of the currency risk.

The currency risk for the Parent Bank is managed by the internal currency risk limits which are established as a part of the Bank’s risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks, within the limits of “Net FC Overall Position/ Shareholders’ Equity” ratio, which is a part of the legal requirement, and the internal currency risk limits specified by the Board of Directors and decisions made on such compliance are strictly applied.

In measuring currency risk, which the Group is exposed to, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made for the Parent Bank within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging exchange rate risk.
Risk measurements made within the context of the VAR are made on a daily basis using the historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on exchange rate risk are reported to the Top Management and the risks are closely monitored by taking into account the market and the economic conditions.

Foreign Exchange Buying Rates of the Parent Bank at the Date of the Balance Sheet and For the 5 Working Days Prior to the Related Date:

Date	USD	EUR	JPY
31.12.2011	1.8800	2.4327	0.0244
30.12.2011	1.8800	2.4327	0.0244
29.12.2011	1.9100	2.4670	0.0246
28.12.2011	1.9000	2.4618	0.0244
27.12.2011	1.8930	2.4740	0.0243
26.12.2011	1.8850	2.4629	0.0242

The Bank’s average FC buying rate over a period of thirty days preceding the date of the financial statement:

USD: TL 1.8414 **EUR:** TL 2.4226 **JPY:** TL 0.0237

Sensitivity to currency risk:

The Group’s sensitivity to any potential change in foreign currency rates has been analyzed. Within this framework, 10% change is anticipated in USD, EUR and GBP currencies and the possible impact of the related change is presented below. 10% is the ratio that is used in the internal reporting of the Parent Bank.

	% Change in Foreign Currency	Effects on Profit/Loss (1)	
		Current Period	Prior Period
USD	10% increase	236,031	224,241
	10% decrease	-236,031	-224,241
EUR	10% increase	-92,892	-10,908
	10% decrease	92,892	10,908
GBP	10% increase	105,295	8,588
	10% decrease	-105,295	-8,588

(1) Indicates the values before tax.

Information on currency risk:

	EUR	USD	JPY	Other FC	Total
Current Period					
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	7,120,303	209,429	1,393	1,485,363	8,816,488
Banks	1,297,853	2,060,294	7,558	779,740	4,145,445
Financial Assets at Fair Value through Profit/Loss (1)	133,572	588,479			722,051
Money Market Placements	24,333	18,808			43,141
Financial Assets Available for Sale	794,618	10,525,124		18,416	11,338,158
Loans (2)	14,910,053	27,812,177	78,956	560,040	43,361,226
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	147				147
Investments Held to Maturity	2,000	6,220		5,588	13,808
Derivative Financial Assets Held for Risk Management					
Tangible Assets (1)	41,765	345		38,207	80,317
Intangible Assets (1)					
Other Assets (1)	910,475	1,337,160	2,686	94,989	2,345,310
Total Assets	**25,235,119**	**42,558,036**	**90,593**	**2,982,343**	**70,866,091**
Liabilities					
Banks Deposits	525,148	658,934	35	340,012	1,524,129
Foreign Currency Deposits (3)	15,436,066	18,491,295	21,655	3,971,506	37,920,522
Money Market Funds	252,339	5,795,216		297	6,047,852
Funds Provided from Other Financial Institutions	7,727,081	10,603,867		1,176	18,332,124
Marketable Securities Issued		943,451			943,451
Miscellaneous Payables	325,996	342,577	903	15,195	684,671
Derivative Financial Liabilities Held for Risk Management					
Other Liabilities (1) (4)	617,141	1,588,811	587	22,250	2,228,789
Total Liabilities	**24,883,771**	**38,424,151**	**23,180**	**4,350,436**	**67,681,538**
Net On Balance Sheet Position	**351,348**	**4,133,885**	**67,413**	**-1,368,093**	**3,184,553**
Net Off Balance Sheet Position	**-1,379,556**	**-2,501,096**	**-69,532**	**2,008,634**	**-1,941,550**
Derivative Financial Assets (5)	3,938,413	7,695,358	19,169	2,969,169	14,622,109
Derivative Financial Liabilities (5)	5,317,969	10,196,454	88,701	960,535	16,563,659
Non-Cash Loans	4,795,124	11,462,513	536,469	173,858	16,967,964
Prior Period					
Total Assets	17,568,911	29,665,507	95,589	1,039,589	48,369,596
Total Liabilities	19,463,969	27,877,636	18,487	1,642,336	49,002,428
Net Balance Sheet Position	**-1,895,058**	**1,787,871**	**77,102**	**-602,747**	**-632,832**
Net Off Balance Sheet Position	**1,667,765**	**-191,231**	**-434,439**	**726,090**	**1,768,185**
Derivative Financial Assets	3,338,772	6,534,570	159,432	867,892	10,900,666
Derivative Financial Liabilities	1,671,007	6,725,801	593,871	141,802	9,132,481
Non-Cash Loans	2,872,054	6,359,712	226,254	78,503	9,536,523

(1) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Derivative Financial Instruments Foreign Currency Income Accruals (TL 259,269), Operating Lease Development Costs (TL 2,898), Prepaid Expenses and Taxes (TL 25,068), Intangible Assets (TL 511) in assets and General Reserves (TL 6,126), Derivative Financial Instruments Foreign Currency Expense Accruals (TL 233,436) and Shareholders' Equity (TL 222,708) in liabilities are not taken into consideration in the currency risk measurement.
(2) Includes foreign currency indexed loans, which are followed under TL account. Of the total amount of TL 4,723,449 of the aforementioned loans; TL 2,241,966 is USD indexed, TL 2,387,355 is EUR indexed, TL 19,006 is CHF indexed, TL 1,783 is GBP indexed, TL 73,329 is JPY indexed and TL 10 is CAD indexed. The balances include factoring receivables.
(3) The item includes TL 2,479,052 precious metals deposit accounts.
(4) The borrowed funds are written under the "Other Liabilities" item according to their type of currency.
(5) The derivative transactions are taken into consideration within the context of the forward foreign currency trading definitions in the above mentioned Regulation.

VI. Explanations on Interest Rate Risk

"Interest Rate Risk" is defined as the decrease that can arise in the value of the interest sensitive assets, liabilities and off-balance sheet operations a result of interest rate fluctuations. The method of average maturity gap according to the repricing periods is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Parent Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly covered in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Parent Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits above the average maturity gaps according to the repricing periods determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the historical data and expectations are also used in the management of the related risk.

Interest rate sensitivity:

In this part, the sensitivity of the Group's assets and liabilities to the interest rates has been analyzed assuming that the year-end balance figures were the same throughout the year.

During the measurement of the Group's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between their current portfolio value and the portfolio value calculated by using the interest shock applied discount curve, the interest income to be additionally earned/to be deprived of during the one year period due to the repricing of the related portfolio.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Group's profit and shareholders' equity in case of 1 point increase/decrease in TL and FC interest rates on the reporting day are given below.

Change in the Interest Rate (1)		**Effect On Profit/Loss (2)**		**Effect on Equity (3)**	
TL	FC (4)	Current Period	Prior Period	Current Period	Prior Period
1 point increase	1 point increase	-8,704	-335,903	-432,635	-123,967
1 point decrease	1 point decrease	54,620	186,788	468,226	130,193

(1) The effects on the profit/loss and shareholders' equity are stated with their before tax values.
(2) The effect on the profit/loss is mainly arising from the fact that the average maturity of the Group's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.
(3) The effect on the shareholders' equity is arising from the change of the fair value of securities followed under the Group's Financial Assets Available for Sale.
(4) Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.

Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods)**:**

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5Years	5 Years and Over	Non-interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						13,886,577	13,886,577
Banks	3,540,575	396,686	177,969			632,676	4,747,906
Financial Assets at Fair Value through Profit/Loss	360,682	632,102	612,954	466,464	18,691	327,228	2,418,121
Money Market Placements	168,514	3,099					171,613
Financial Assets Available for Sale	8,318,479	4,353,562	7,185,650	7,992,592	5,526,846	179,937	33,557,066
Loans (1)	29,213,471	12,910,751	22,689,655	28,343,345	6,268,035	7,518	99,432,775
Investments Held to Maturity	165,778	5,219,581	5,663,780	2,658,293			13,707,432
Other Assets	680,281	80,184	276,417	819,772	124,799	14,032,887	16,014,340
Total Assets	**42,447,780**	**23,595,965**	**36,606,425**	**40,280,466**	**11,938,371**	**29,066,823**	**183,935,830**
Liabilities							
Banks Deposits	1,317,405	605,107	168,195	28,222		258,798	2,377,727
Other Deposits	56,249,754	15,065,039	5,904,309	443,646	27,793	18,763,728	96,454,269
Money Market Funds	19,319,545	743,194	2,234,978	175,265			22,472,982
Miscellaneous Payables	431,558	934		2,330		6,726,899	7,161,721
Marketable Securities Issued	596,323	690,313	1,546,676	932,564			3,765,876
Funds Provided from Other Financial Institutions	8,587,216	6,293,359	3,634,995	117,978	240,727		18,874,275
Other Liabilities (2) (3)	218,812	743,576	1,117,686	85,160	8,486	30,655,260	32,828,980
Total Liabilities	**86,720,613**	**24,141,522**	**14,606,839**	**1,785,165**	**277,006**	**56,404,685**	**183,935,830**
Balance Sheet Long Position			21,999,586	38,495,301	11,661,365		72,156,252
Balance Sheet Short Position	-44,272,833	-545,557				-27,337,862	-72,156,252
Off Balance Sheet Long Position	2,701,724	5,670,393					8,372,117
Off Balance Sheet Short Position			-428,889	-7,320,355	-70,399		-7,819,643
Total Position	**-41,571,109**	**5,124,836**	**21,570,697**	**31,174,946**	**11,590,966**	**-27,337,862**	**552,474**

(1) The balances include factoring receivables.
(2) Shareholders' equity is shown in "non-interest bearing" column.
(3) The borrowed funds are written under the "Other Liabilities" item according to their maturities.

Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods)**:**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	10,255					8,585,651	8,595,906
Banks	5,639,291	388,156	220,954	103		127,294	6,375,798
Financial Assets at Fair Value through Profit/Loss	174,849	326,835	509,869	385,480	18,103	421,974	1,837,110
Money Market Placements	8,008	2,186					10,194
Financial Assets Available for Sale	6,922,760	4,763,255	9,228,853	11,254,240	3,870,235	141,864	36,181,207
Loans (1)	22,537,114	8,685,280	13,354,530	20,469,885	4,345,039	17,276	69,409,124
Investments Held to Maturity	181,921	4,964,737	4,673,668	4,250,303			14,070,629
Other Assets	473,183	89,612	210,023	543,000	39,021	12,975,929	14,330,768
Total Assets	**35,947,381**	**19,220,061**	**28,197,897**	**36,903,011**	**8,272,398**	**22,269,988**	**150,810,736**
Liabilities							
Banks Deposits	1,906,272	442,449	101,842			276,588	2,727,151
Other Deposits	57,571,663	14,267,579	4,044,346	232,361	26,500	9,607,019	85,749,468
Money Market Funds	8,785,566	1,928,115	2,117,259	138,646			12,969,586
Miscellaneous Payables	312,937	100,246	615	1,359		5,531,095	5,946,252
Marketable Securities Issued		150,089	45,865				195,954
Funds Provided from Other Financial Institutions	4,303,961	5,562,894	4,390,579	59,292	19,730	24,356	14,360,812
Other Liabilities (2)	91,526	418,047	735,626	18,756	80	27,597,478	28,861,513
Total Liabilities	**72,971,925**	**22,869,419**	**11,436,132**	**450,414**	**46,310**	**43,036,536**	**150,810,736**
Balance Sheet Long Position			16,761,765	36,452,597	8,226,088		61,440,450
Balance Sheet Short Position	-37,024,544	-3,649,358				-20,766,548	-61,440,450
Off Balance Sheet Long Position	588,112	4,205,725	465,999				5,259,836
Off Balance Sheet Short Position				-6,643,586	-108,792		-6,752,378
Total Position	**-36,436,432**	**556,367**	**17,227,764**	**29,809,011**	**8,117,296**	**-20,766,548**	**-1,492,542**

(1) The balances include factoring receivables.
(2) Shareholders' equity is shown in "non-interest bearing" column.

Average interest rates applied to monetary financial instruments:

Current Period	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	3.62	3.18		11.29
Financial Assets at Fair Value through Profit/Loss	4.10	7.70		10.97
Money Market Placements	4.38	3.88		11.11
Financial Assets Available for Sale	4.41	4.27		8.66
Loans	5.12	4.50	2.86	13.99
Investments Held to Maturity	0.75	7.42		13.13
Liabilities				
Banks Deposits	1.65	3.04		7.91
Other Deposits	2.78	3.41	0.04	8.45
Money Market Funds	1.71	2.23		9.38
Miscellaneous Payables				
Marketable Securities Issued		5.30		9.29
Funds	1.00	1.00		6.50
Funds Provided from Other Financial Institutions	1.55	1.37		10.71

Prior Period	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	1.26	0.34	0.02	8.73
Financial Assets at Fair Value through Profit/Loss	6.10	6.23		8.71
Money Market Placements				2.96
Financial Assets Available for Sale	2.32	4.39		8.43
Loans	4.42	3.70	4.26	12.89
Investments Held to Maturity	1.00	7.53		12.70
Liabilities				
Banks Deposits	1.11	2.16		6.96
Other Deposits	2.10	2.26	0.01	7.13
Money Market Funds	2.52	1.60		6.78
Miscellaneous Payables				
Marketable Securities Issued				8.34
Funds				
Funds Provided from Other Financial Institutions	1.81	1.44		7.20

VII. Explanations on Liquidity Risk

Liquidity risk can arise as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Bank's prevailing source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. On the other hand, medium and long-term funds are acquired from institutions abroad.

In order to meet the liquidity requirements that may emerge from market fluctuations, considerable attention is paid to preserve liquid assets; efforts in this framework are supported by TL and FC cash flows projections. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and in case of extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio mean the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios of the Parent Bank in the year 2011 with their prior year comparatives are given below.

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
Current Period	**FC**	**FC + TL**	**FC**	**FC + TL**
Average (%)	153.51	179.24	97.51	130.64
Highest (%)	213.52	271.05	116.48	170.87
Lowest (%)	115.11	122.44	82.60	107.70

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
Prior Period	**FC**	**FC + TL**	**FC**	**FC + TL**
Average (%)	207.03	272.95	121.08	165.93
Highest (%)	325.24	394.48	145.69	219.33
Lowest (%)	157.78	209.63	100.40	142.41

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated (1)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	6,957,355	6,896,233			32,989			13,886,577
Banks	762,500	3,458,237	349,200	165,863	12,106			4,747,906
Financial Assets at Fair Value through Profit/Loss	327,228	319,324	372,673	405,370	848,557	144,969		2,418,121
Money Market Placements		171,613						171,613
Financial Assets Available for Sale	179,937	2,073,613	746,976	4,040,293	12,550,007	13,966,240		33,557,066
Loans (2)	9,689,446	12,347,813	7,177,476	23,253,529	36,955,939	10,008,572		99,432,775
Investments Held to Maturity			2,083,131	981,113	10,622,359	20,829		13,707,432
Other Assets	70,997	1,236,680	101,653	286,991	942,272	124,799	13,250,948	16,014,340
Total Assets	**17,987,463**	**26,503,513**	**10,831,109**	**29,133,159**	**61,964,229**	**24,265,409**	**13,250,948**	**183,935,830**
Liabilities								
Bank Deposits	270,076	1,306,127	605,107	168,195	28,222			2,377,727
Other Deposits	18,784,355	56,223,747	15,063,175	5,910,652	444,547	27,793		96,454,269
Funds Provided from Other Financial Institutions		736,103	1,352,236	7,494,821	5,374,570	3,916,545		18,874,275
Money Market Funds		18,329,793	434,810	2,626,234	338,419	743,726		22,472,982
Marketable Securities Issued		596,323	540,313	1,546,676	1,082,564			3,765,876
Miscellaneous Payables	3,687,466	3,346,749	37,610	42,476	47,420			7,161,721
Other Liabilities (3)		1,222,163	888,026	1,120,245	87,535	8,568	29,502,443	32,828,980
Total Liabilities	**22,741,897**	**81,761,005**	**18,921,277**	**18,909,299**	**7,403,277**	**4,696,632**	**29,502,443**	**183,935,830**
Liquidity Gap	**-4,754,434**	**-55,257,492**	**-8,090,168**	**10,223,860**	**54,560,952**	**19,568,777**	**-16,251,495**	
Prior Period								
Total Assets	**17,067,943**	**22,306,845**	**7,431,896**	**24,046,825**	**57,250,014**	**14,643,770**	**8,063,443**	**150,810,736**
Total Liabilities	**18,969,766**	**66,189,031**	**17,984,537**	**12,179,597**	**4,773,627**	**3,569,264**	**27,144,914**	**150,810,736**
Liquidity Gap	**-1,901,823**	**-43,882,186**	**-10,552,641**	**11,867,228**	**52,476,387**	**11,074,506**	**-19,081,471**	

(1) Asset items, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which can not be converted to cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in 'Unallocated" column.
(2) The balances include factoring receivables.
(3) The borrowed funds are written under the "Other Liabilities" item according to their maturities.

In compliance with the TFRS 7 "Financial Instruments: Disclosures", the following table indicates the maturities of the Group's major financial assets and liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of collections and payments without discounting the assets and liabilities. The interest to be collected from and paid to the related assets and liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related assets and liabilities registered in balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	327,228	16,843	15,045	277,414	904,952	150,580	1,692,062	235,630	1,456,432
Banks	762,500	3,469,439	356,337	173,277	12,301		4,773,854	25,948	4,747,906
Financial Assets Available for Sale	179,937	2,379,266	978,394	5,376,744	16,222,837	17,743,173	42,880,351	9,323,285	33,557,066
Loans (1)	9,689,446	12,799,562	7,897,704	26,708,391	44,318,922	11,536,130	112,950,155	13,517,380	99,432,775
Investments Held to Maturity		15,505	2,474,547	1,624,774	12,515,847	22,033	16,652,706	2,945,274	13,707,432
Liabilities									
Deposits	19,054,431	57,746,825	15,899,760	6,189,466	564,186	42,012	99,496,680	664,684	98,831,996
Funds Provided from Other Financial Institutions		637,534	1,399,450	7,706,408	5,901,884	4,385,668	20,030,944	1,156,669	18,874,275
Money Market Funds		18,349,829	442,431	2,696,244	427,397	779,808	22,695,709	222,727	22,472,982
Securities Issued (Net)		599,839	555,541	1,667,435	1,228,291		4,051,106	285,230	3,765,876

(1) The balances include factoring receivables.

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	421,966	55,150	55,603	210,981	737,011	204,842	1,685,553	123,058	1,562,495
Banks	352,224	5,185,475	371,228	493,926	103		6,402,956	27,158	6,375,798
Financial Assets Available for Sale	141,865	3,534,694	1,705,266	7,510,844	19,665,697	8,083,452	40,641,818	4,460,611	36,181,207
Loans	6,768,623	9,902,289	5,386,369	18,604,721	29,570,369	7,490,685	77,723,056	8,313,932	69,409,124
Investments Held to Maturity		31,337	1,027,732	1,100,915	16,528,073	160,110	18,848,167	4,777,538	14,070,629
Liabilities									
Deposits	14,688,893	54,819,917	14,881,681	4,238,691	258,231	39,715	88,927,128	450,509	88,476,619
Funds Provided from Other Financial Institutions	24,356	983,722	793,644	5,318,308	4,721,035	3,106,286	14,947,351	586,539	14,360,812
Money Market Funds		8,626,157	1,675,486	1,872,587	300,997	698,021	13,173,248	203,662	12,969,586
Securities Issued (Net)			151,649	48,336			199,985	4,031	195,954

The following table shows the remaining maturities of non-cash loans of the Group.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,892,153	273,372	478,597	191,002	1,579,786	346,619	5,761,529
Endorsements		38,320	118,474		219,075		375,869
Letters of Guarantee	11,139,061	381,913	1,527,234	2,537,056	4,008,941	330,068	19,924,273
Acceptances	15,700	56,871	50,000	36,982	340,902		500,455
Other	41,256	3,678	1,767	81,717	50,861	466,826	646,105
Total	**14,088,170**	**754,154**	**2,176,072**	**2,846,757**	**6,199,565**	**1,143,513**	**27,208,231**

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	1,219,515	166,407	462,236	295,183	1,097,785	139,762	3,380,888
Endorsements			24,433		6,149		30,582
Letters of Guarantee	7,179,501	297,703	792,935	1,166,606	2,831,130	197,029	12,464,904
Acceptances	10,698	17,141	64,861	8,752	110,086		211,538
Other	4,050	18,657	14,390	106,906	37,500	160,600	342,103
Total	**8,413,764**	**499,908**	**1,358,855**	**1,577,447**	**4,082,650**	**497,391**	**16,430,015**

The following table shows the remaining maturities of derivative financial assets and liabilities of the Group.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	2,018,832	2,107,575	4,477,234	387,581		8,991,222
Forwards Contracts- Sell	2,052,739	2,098,489	4,447,195	387,295		8,985,718
Swaps Contracts -Buy	5,918,351	964,866	1,555,830	11,902,459	2,473,203	22,814,709
Swaps Contracts -Sell	6,177,476	1,185,799	1,606,300	11,488,587	2,473,204	22,931,366
Futures Transactions-Buy		23,540				23,540
Futures Transactions-Sell		23,215				23,215
Options-Call	1,197,127	417,918	1,566,333	870,795	579,118	4,631,291
Options-Put	1,193,790	417,916	1,566,333	870,795	579,118	4,627,952
Other	286,923	238,106	287,863	7,331		820,223
Total	**18,845,238**	**7,477,424**	**15,507,088**	**25,914,843**	**6,104,643**	**73,849,236**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	772,043	547,652	1,651,152	161,948		3,132,795
Forwards Contracts- Sell	768,176	546,368	1,650,159	161,883		3,126,586
Swaps Contracts -Buy	3,481,670		1,269,793	8,841,237	1,817,406	15,410,106
Swaps Contracts -Sell	3,452,388		1,284,664	8,782,171	1,817,406	15,336,629
Futures Transactions-Buy	2,039	34,958	6,305			43,302
Futures Transactions-Sell	2,434	35,278	504,616	1,074,964		1,617,292
Options-Call	971,780	871,695	847,587	614,968		3,306,030
Options-Put	978,874	861,711	836,615	614,968		3,292,168
Other	3,103	36,708	40,768		82,540	163,119
Total	**10,432,507**	**2,934,370**	**8,091,659**	**20,252,139**	**3,717,352**	**45,428,027**

VIII. Explanations on Other Price Risks

The Group is exposed to the equity share risk arising from its investments in companies which are traded on the ISE. Equity shares are generally obtained for investment purposes.

As of the reporting date, an analysis was made on the assessment of the Group's sensitivity to equity shares price risk. In the analysis, it is assumed that all the other variables are constant and the data used in the valuation method (share prices) are 10% more / less. According to this assumption TL 253,571 (31 December 2010: TL 214,404) increase/decrease is expected in the Marketable Securities Revaluation Reserve account under the Shareholders' Equity. This, in fact, is arising from the increase/decrease in the fair values of the publicly-traded subsidiaries and associates.

IX. Explanations on Presentation of Assets and Liabilities at Fair Value

1. Information on fair values of financial assets and liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Money Market Placements	171,613	10,194	171,613	10,194
Banks	4,747,906	6,375,798	4,753,110	6,389,530
Financial Assets Available for Sale	33,557,066	36,181,207	33,557,066	36,181,207
Investments Held to Maturity	13,707,432	14,070,629	14,394,632	15,725,579
Loans	99,432,775	69,077,804	99,113,476	70,141,732
Financial Liabilities				
Banks Deposits	2,377,727	2,727,151	2,373,595	2,730,589
Other Deposits	96,454,269	85,749,468	96,385,596	85,683,318
Funds Provided from Other Financial Institutions	18,874,275	14,360,812	18,733,054	14,238,481
Marketable Securities Issued	3,765,876	195,954	3,724,657	195,954
Funds Borrowed	7,894		7,894	
Miscellaneous Payables	7,161,721	5,946,252	7,161,721	5,946,252

Fair values of investments held to maturity and the marketable securities issued are determined by using the market prices; in cases where market prices cannot be measured, quoted market prices of other securities that are subject to amortization having similar interest, maturity and other conditions are taken as the basis for the fair value determination.

Market prices are taken into account in determining the fair values of the securities available for sale. When the prices cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values.

Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

2. Information on fair value measurements recognized in the financial statements

TFRS 7 "Financial Instruments: Disclosures" requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the consolidated financial statements at their fair values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2 (1)	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	1,093,632	35,103	473
Equity Securities	153,621		
Derivative Financial Assets Held for Trading		961,689	
Other	8,818	164,785	
Financial Assets Available-for-Sale			
Debt Securities	20,088,839	6,702,227	6,586,064
Equity Securities (2)	30,732		
Other		109,049	
Investments in Subsidiaries and Associates(3)	2,535,707		
Derivative Financial Liabilities		916,086	

(1) Debt securities shown under level 2 include Eurobond securities, whose fair values are determined by taking into consideration the direct or indirect market data.
(2) Since they are not traded in an active market, the equity securities (TL 40,155) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.
(3) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

Prior Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	1,052,141		
Equity Securities	245,928		
Derivative Financial Assets Held for Trading	11,485	263,130	
Other	264,426		
Financial Assets Available-for-Sale			
Debt Securities	27,224,847		8,699,890
Equity Securities (1)	40,938		
Other	118,608	65,655	
Investments in Subsidiaries and Associates(2)	2,144,041		
Derivative Financial Liabilities		731,310	

(1) Since they are not traded in an active market, the equity securities (TL 31,269) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.
(2) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

There has not been any transition between level 1 and level 2 during the period.

The movement table of financial assets at level 3 is given below.

	Current Period	Prior Period
Balance at the Beginning of the Period	8,699,890	10,944,610
Purchases	2,044,034	9,611,772
Redemption or Sales	-3,573,710	-10,506,305
Valuation Difference	1,339,541	119,038
Transfers	-1,923,218	-1,469,225
Balance at the end of the Period	**6,586,537**	**8,699,890**

X. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions

1. Transactions both in national and international capital markets in connection with the trading and custody on behalf of others are carried out, and portfolio management and investment consulting services are provided.

2. The Group has no fiduciary transactions.

XI. Explanations on Business Segmentation

The Group's operations are classified as corporate, commercial, retail and private banking, as well as treasury/investment banking. While the commercial and corporate operations are differentiated by the Parent Bank and its financial institutions, according to their own criterion, in the classification of other operations, the same methods are applied by the Group.

Services to the large corporations, SMEs and other trading companies are provided through various financial media within the course of the corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantee, letter of credit, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

By retail banking, the needs of individuals are met by performing banking services such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. For the private banking category, any kind of financial and cash management related services are provided for individuals within the high-income segment.

Within the context of treasury transactions, medium and long term funding is being fulfilled by tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations.

The Group's investments in unconsolidated associates and subsidiaries are evaluated within the context of investment banking.

Statement of information related to business segmentation of the Group is given below.

Current Period	Corporate	Commercial (1)	Retail (1)	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							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							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							5,416,996
Net Fees and Commissions Income							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							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
Investments Held to Maturity					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
							183,935,830
SEGMENT LIABILITIES							
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 (2)	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
							183,935,830

(1) Real person merchants and the institutions and enterprises without corporate and commercial qualities, which were classified under the retail segment in prior periods, have started to be followed under the commercial segment, beginning from the current period.
(2) The borrowed funds are under the "Other Liabilities" items.

Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							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							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
Interest Expense on Securities Issued						10,589	10,589
Other Interest Expense					5,722		5,722
Net Interest Income							5,410,570
Net Fees and Commissions Income							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							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
Investments Held to Maturity					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
							150,810,736
SEGMENT LIABILITIES							
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
							150,810,736

PART FIVE: EXPLANATIONS AND FOOTNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED ASSETS

1. Cash and Central Bank of Turkey:

a. Information on Cash and Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	797,049	352,306	671,079	261,744
Central Bank of Turkey	4,273,040	8,353,163	3,325,043	4,008,099
Other		111,019		329,941
Total	**5,070,089**	**8,816,488**	**3,996,122**	**4,599,784**

b. Information on Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4,273,040	1,423,941	3,325,043	1,081,280
Unrestricted Time Deposit				
Restricted Time Deposit				
Other (1)		6,929,222		2,926,819
Total	**4,273,040**	**8,353,163**	**3,325,043**	**4,008,099**

(1)The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities

c. Information on reserve requirements:

As per the Communiqué nr.2005/1 "Reserve Deposits" of the Central Bank of Turkey (CBT), banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11% for TL deposits, between 5%-11% for other TL liabilities, between 9%-11% for FC deposits and between 6%-11% for other FC liabilities. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

2. Information on Financial Assets at Fair Value through Profit and Loss:

a. Financial assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as of 31 December 2011 are amounting to TL 15,311 (31 December 2010: TL 8,540).

b. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as of 31 December 2011 are amounting to TL 553,242 (31 December 2010: TL 487,909).

c. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	29,265	133,328	7,758	61,822
Swap Transactions	10,308	740,063	13,615	173,687
Futures	504	479	224	
Options	262	44,595	974	16,411
Other	29	2,856	124	
Total	**40,368**	**921,321**	**22,695**	**251,920**

3. Information on Banks:

a. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	509,585	2,239,658	2,329,622	1,080,675
Foreign Banks	92,876	1,905,787	300,719	2,664,782
Foreign Head Office and Branches				
Total	**602,461**	**4,145,445**	**2,630,341**	**3,745,457**

b. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	921,248	1,863,092		
USA, Canada	232,981	85,091	94	77
OECD Countries (1)	488,192	616,458		
Off-shore Banking Regions	114	116,490		
Other	290,795	229,837	65,239	54,456
Total	**1,933,330**	**2,910,968**	**65,333**	**54,533**

(1) OECD countries other than the EU countries, USA and Canada.

4. Information on Financial Assets Available for Sale:

a. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked amount to TL 3,513,217 as of 31 December 2011 (31 December 2010: TL 2,758,380).

b. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale which are subject to repurchase agreements amount to TL 17,642,045 as of 31 December 2011 (31 December 2010: TL 9,301,139).

c. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	33,601,630	35,917,223
Traded on the Stock Exchange	20,794,676	27,217,333
Not Traded on the Stock Exchange (1)	12,806,954	8,699,890
Equity Securities	86,861	81,836
Traded on the Stock Exchange	37,916	34,914
Not Traded on the Stock Exchange	48,945	46,922
Value Increases / Impairment Losses (-)	240,474	12,928
Other	109,049	195,076
Total	**33,557,066**	**36,181,207**

(1)It refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

5. Information related to loans:

a. Information on all types of loans and advances given to shareholders and employees of the group:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	458,740	130	399,659	81
Total	**458,740**	**130**	**399,659**	**81**

b. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Standard Loans and Other Receivables		Closely Monitored Loans and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-Specialized Loans	96,708,273	837,535	1,001,994	480,320
Discount Notes	146,494			
Export Loans	6,015,313	16,118	105,370	9,854
Import Loans	630			
Loans Extended to Financial Sector	2,890,886			
Foreign Loans	1,948,439	39,692	3,107	90
Consumer Loans	17,943,278	685,241	363,707	59,866
Credit Cards	6,831,617		137,429	104,976
Precious Metal Loans	29,860	564		
Other	60,901,756	95,920	392,381	305,534
Specialized Loans				
Other Receivables				
Total	**96,708,273**	**837,535**	**1,001,994**	**480,320**

c. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Closely Monitored Loans and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	31,992,555	75,600	358,799	33,588
Non-Specialized Loans	31,992,555	75,600	358,799	33,588
Specialized Loans				
Other Receivables				
Medium and long-term Loans and Other Receivables	64,715,718	761,935	643,195	446,732
Non-Specialized Loans	64,715,718	761,935	643,195	446,732
Specialized Loans				
Other Receivables				

d. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans-TL	487,230	17,627,847	152,653	18,267,730
Real Estate Loans	15,375	7,612,135	85,015	7,712,525
Vehicle Loans	39,816	1,091,209	6,262	1,137,287
General Purpose Consumer Loans	280,203	6,587,670	45,435	6,913,308
Other Consumer Loans	151,836	2,336,833	15,941	2,504,610
Consumer Loans – FC Indexed		82,158	60,165	142,323
Real Estate Loans		81,296	59,942	141,238
Vehicle Loans		862	223	1,085
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans – FC	2,532	12,505	28	15,065
Real Estate Loans		2,053		2,053
Vehicle Loans	87	165		252
General Purpose Consumer Loans	2,445	10,287	28	12,760
Other Consumer Loans				
Retail Credit Cards-TL	6,157,570	321,667	43,183	6,522,420
With Installments	2,476,072	321,667		2,797,739
Without Installments	3,681,498		43,183	3,724,681
Retail Credit Cards-FC				
With Installments				
Without Installments				
Personnel Loans-TL	16,788	324,813	3,765	345,366
Real Estate Loans	200	85,944	1,462	87,606
Vehicle Loans	266	10,030	73	10,369
General Purpose Consumer Loans	11,840	177,372	1,699	190,911
Other Consumer Loans	4,482	51,467	531	56,480
Personnel Loans- FC Indexed		914	587	1,501
Real Estate Loans		914	587	1,501
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans-FC	68	210		278
Real Estate Loans		83		83
Vehicle Loans				
General Purpose Consumer Loans	68	127		195
Other Consumer Loans				
Personnel Credit Cards-TL	100,489		1,061	101,550
With Installments	39,250			39,250
Without Installments	61,239		1,061	62,300
Personnel Credit Cards-FC	12	8		20
With Installments	12	8		20
Without Installments				
Overdraft Accounts – TL (real persons)	271,088		8,539	279,627
Overdraft Accounts – FC (real persons)	200	2		202
Total	**7,035,977**	**18,370,124**	**269,981**	**25,676,082**

TÜRKİYE İŞ BANKASI A.Ş. *(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)*

e. Installment based commercial loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Installments-TL	890,275	11,376,306	101,162	12,367,743
Real Estate Loans	6,102	482,276	3,285	491,663
Vehicle Loans	96,867	2,795,548	15,982	2,908,397
General Purpose Commercial Loans	779,584	7,839,748	77,173	8,696,505
Other Commercial Loans	7,722	258,734	4,722	271,178
Commercial Loans With Installments-FC Indexed	37,796	1,259,712	193,163	1,490,671
Real Estate Loans		73,122	16,956	90,078
Vehicle Loans	4,147	586,346	74,543	665,036
General Purpose Commercial Loans	33,649	583,627	97,799	715,075
Other Commercial Loans		16,617	3,865	20,482
Commercial Loans With Installments-FC	9,234	247,070	1,759	258,063
Real Estate Loans	2,020	1,845		3,865
Vehicle Loans	98	534	2	634
General Purpose Commercial Loans	6,990	23,673	1,218	31,881
Other Commercial Loans	126	221,018	539	221,683
Corporate Credit Cards-TL	448,415	1,428	189	450,032
With Installments	63,262	1,428		64,690
Without Installments	385,153		189	385,342
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (corporate)	576,769		18,079	594,848
Overdraft Accounts – FC (corporate)	142		142	284
Total	**1,962,631**	**12,884,516**	**314,494**	**15,161,641**

f. Allocation of loan by borrowers:

	Current Period	Prior Period
Public Sector	2,165,841	1,866,916
Private Sector	96,862,281	67,210,888
Total	**99,028,122**	**69,077,804**

g. International and domestic loans:

	Current Period	Prior Period
Domestic Loans	96,539,802	67,710,580
International Loans	2,488,320	1,367,224
Total	**99,028,122**	**69,077,804**

h. Loans to subsidiaries and associates:

	Current Period	Prior Period
Direct Lending to Subsidiaries and Associates	62,352	59,731
Indirect Lending to Subsidiaries and Associates		
Total	**62,352**	**59,731**

i. Specific provisions provided against loans**:**

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	213,790	161,287
Loans and Receivables with Doubtful Collectibility	209,079	303,735
Uncollectible Loans and Receivables	1,686,550	1,998,575
Total	**2,109,419**	**2,463,597**

j. Information on non-performing loans (Net):

j.1. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled by the Group:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period			
(Gross amounts before the specific provisions)	3,747	10,499	22,178
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	3,747	10,499	22,178
Prior Period			
(Gross amounts before the specific provisions)	9,312	9,259	67,211
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	9,312	9,259	67,211

j.2. Movement of total non-performing loans:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period Ending Balance	**161,287**	**303,735**	**1,998,575**
Corporate and Commercial Loans	95,199	128,216	1,218,204
Retail Loans	31,555	56,301	345,624
Credit Cards	34,533	75,589	434,747
Other		43,629	
Additions (+)	**846,122**	**37,420**	**104,521**
Corporate and Commercial Loans	600,788	16,297	75,634
Retail Loans	100,172	11,458	20,533
Credit Cards	145,162	6,499	8,354
Other		3,166	
Transfers from Other NPL categories (+)		**422,388**	**416,750**
Corporate and Commercial Loans		236,420	229,742
Retail Loans		75,846	76,993
Credit Cards		110,122	110,015
Other			
Transfers to Other NPL categories (-)	**422,388**	**416,750**	
Corporate and Commercial Loans	236,420	229,742	
Retail Loans	75,846	76,993	
Credit Cards	110,122	110,015	
Other			
Collections (-) (*)	**370,846**	**136,348**	**581,928**
Corporate and Commercial Loans	306,671	65,365	304,086
Retail Loans	26,776	31,348	156,358
Credit Cards	37,399	38,139	121,484
Other		1,496	
Write-Offs (-)	**385**	**1,366**	**251,368**
Corporate and Commercial Loans	54	293	68,311
Retail Loans	287	264	49,904
Credit Cards	44	538	133,153
Other		271	
Current Period Ending Balance	**213,790**	**209,079**	**1,686,550**
Corporate and Commercial Loans	152,842	85,533	1,151,183
Retail Loans	28,818	35,000	236,888
Credit Cards	32,130	43,518	298,479
Other		45,028	
Specific Provisions (-)	**213,790**	**209,079**	**1,686,550**
Corporate and Commercial Loans	152,842	85,533	1,151,183
Retail Loans	28,818	35,000	236,888
Credit Cards	32,130	43,518	298,479
Other		45,028	
Net Balance on Balance Sheet	**0**	**0**	**0**

(*) During the current year, TL 88,464 of the NPL portfolio, TL 569 of which has formerly been written-off, were transferred to Standard Varlık Yönetimi A.Ş. in exchange for TL 13,905.

j.3. Information on the Group's non-performing foreign currency loans and other receivables:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	**Loans and Receivables with Doubtful Collectibility**	**Uncollectible Loans and Other Receivables**
Current Period:			
Period Ending Balance	39,326	10,303	73,367
Specific Provisions (-)	39,326	10,303	73,367
Net Balance on Balance Sheet			
Prior Period:			
Period Ending Balance	41,409		55,176
Specific Provisions (-)	41,409		55,176
Net Balance on Balance Sheet			

j.4. Information on gross and net non-performing loans and receivables as per customer categories:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	**Loans and Receivables with Doubtful Collectibility**	**Uncollectible Loans and Other Receivables**
Current Period (Net)			
Loans to Individuals and Corporates (Gross)	178,702	164,051	1,681,207
Specific Provisions (-)	178,702	164,051	1,681,207
Loans to Individuals and Corporates (Net)			
Banks (Gross)	82		
Specific Provisions (-)	82		
Banks (Net)			
Other Loans and Receivables (Gross)	35,006	45,028	5,343
Specific Provisions (-)	35,006	45,028	5,343
Other Loans and Receivables (Net)			
Prior Period (Net)			
Loans to Individuals and Corporates (Gross)	130,687	260,106	1,993,232
Specific Provisions (-)	130,687	260,106	1,993,232
Loans to Individuals and Corporates (Net)			
Banks (Gross)	69		
Specific Provisions (-)	69		
Banks (Net)			
Other Loans and Receivables (Gross)	30,531	43,629	5,343
Specific Provisions (-)	30,531	43,629	5,343
Other Loans and Receivables (Net)			

k. Main guidelines used in the liquidation policy on uncollectible loans and other receivables:

In order to ensure liquidation of non-performing loans, all possible alternatives within the existing legislation are evaluated in a way that repayments are maximized. First, administrative initiatives are taken to reach an agreement with the borrower; in case the negotiations for collection, liquidation or restructuring of receivables fail, legal action is taken for collection.

l. Information on "Write-off" policies:

In case there is still a residual receivable despite all the borrowers' assets are liquidated in terms of legal follow-up, or a legal follow-up fails due to the fact that the borrowers do not have any assets to be liquidated, the Parent Bank's receivables are reduced to one if an evidence of borrowers' insolvency is obtained; when no such evidence is available, totally uncollectible receivables are written-off.

6. Investments Held to Maturity:

a. Information on investments held to maturity, which are given as collateral or blocked:

Investments held to maturity, which are given as collateral or blocked amount to TL 2,014,400 as of 31 December 2011 (31 December 2010: TL 2,079,105).

b. Information on investments held to maturity, which are subject to repurchase agreements:

Assets held to maturity, which are subject to repurchase agreements amount to TL 4,616,246 as of 31 December 2011 (31 December 2010: TL 2,630,105).

c. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	13,686,705	14,052,833
Treasury Bills		
Other Public Debt Securities		
Total	**13,686,705**	**14,052,833**

d. Information on investments held-to-maturity:

	Current Period	Prior Period
Debt Securities	13,707,432	14,070,629
Traded on the Stock Exchange	13,686,705	14,039,747
Not Traded on the Stock Exchange	20,727	30,882
Impairment Losses (-)		
Total	**13,707,432**	**14,070,629**

e. Movement of the investments held to maturity during the year:

	Current Period	Prior Period
Beginning Balance	14,070,629	13,347,307
Foreign Exchange Differences Arising on Monetary Assets	2,415	-120,880
Purchases During the Year	34,228	2,768,157
Transfers		
Disposals through Sales and Redemption	-742,972	-2,300,020
Impairment Losses (-)		
Changes in amortized costs of the investments	343,132	376,065
Balance at the end of the Period	**13,707,432**	**14,070,629**

7. Information on Associates (Net):

a.1. Information on unconsolidated associates:

None.

b.1. Information on consolidated associates:

	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	79.42

Information on financial statements of associates in the above order:

Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (1)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
3,090,556	361,615	29,733	92,432	75	47,834	23,358	

(1) Includes interest income on marketable securities.

b.2. Movement of investments in consolidated associates:

	Current Period	Prior Period
Beginning balance	85,295	85,295
Movements during the period		
Purchases		
Bonus shares acquired		
Dividends received from the current year profit		
Sales		
Revaluation Increase		
Impairment		
Balance at the end of the period	**85,295**	**85,295**
Capital commitments		
Contribution in equity at the end of the period (%)		

b.3. Sectoral information on consolidated associates and the related carrying amounts:

	Current Period	Prior Period
Banks	85,295	85,295
Insurance Companies		
Factoring Companies		
Leasing Companies		
Finance Companies		
Other Financial Participations		
Total	**85,295**	**85,295**

b.4. Consolidated associates traded on a stock exchange: None.

b.5. Consolidated associates disposed of in the current period: None.

b.6. Consolidated associates acquired in the current period: None.

b.7. Other issues related to associates:

In order to carry out domestically the decisions made by the United Nations Security Council (UNSC) due to the incidents in Libya, for imposing various sanctions to the real persons and corporate bodies that are connected to the Libyan government, the BRSA decided that as per the Cabinet Decision dated 21 June 2011 and no. 2011/2001, the shareholder rights of Libyan Foreign Bank's (LFB), the majority shareholder residing in Libya, 62.37% share in Arap Türk Bankası A.Ş., except for the dividend rights, shall be used by the Savings Deposit Insurances Fund (SDIF) until the implementation of the related decisions are ended for LFB. Accordingly, all the directors representing Libyan Foreign Bank on the Board of Arap Türk Bankası A.Ş. were discharged and replaced by persons determined by the SDIF.

The abovementioned UNSC decisions on imposing various sanctions to the real persons and corporate bodies that are connected to the Libyan government have been cancelled by the UNSC decision dated 27 October 2011 and no. 2016. Within the framework of this development, the Cabinet Decisions dated 21 June 2011 and no. 2011/2001 on imposing sanctions to LFB, the majority shareholder of Arap Türk Bankası, have been abolished.

During the current period, of the companies included in the Parent Bank's consolidation:

TSKB decided to participate with 10% shares and TL 800 capital to Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş., which will be established as headquartered in İzmir with a capital of TL 8,000; sold the total of its 21.71% minority share with a net book value of TL 392 in Gözlük Sanayi A.Ş. to real person shareholders for TL 231 and collected the sales amount in advance.

During the current period, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. sold the total of its 20% share in Dr. Frik İlaç San. ve Tic. A.Ş. for TL 54,409 (USD 30.5 million) and sold the total of its 10% share in Probil Bilgi İşlem Destek Danışmanlık San. Ve Tic. A.Ş. for TL 7,306 in return.

On 7 July 2011, İş Gayrimenkul Yatırım Ortaklığı A.Ş. founded jointly with Kayı İnşaat San. ve Tic. A.Ş., each with a 50% share, Nest in Globe B.V., which is headquartered in the Netherlands. The purpose of the company is to evaluate the investment project that may come up abroad.

In May, together with Bilici Yatırım Sanayi ve Ticaret A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. founded Adana Otel Projesi Adi Ortaklığı (Adana Hotel Project Ordinary Partnership) with TL 20 capital, in which each company has 50% share. The core business of the said ordinary partnership is to build the hotel in Adana, which will be run by Palmira Turizm Ticaret A.Ş.

8. Information on subsidiaries (Net):

a. Information on consolidated subsidiaries: None.

b.1. Information on consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Percentage (%) (1)	Bank's Risk Group Share Percentage (%)
1-	Anadolu Anonim Türk Sigorta Şirketi	İstanbul/TURKEY	43.92	56.08
2-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/TURKEY	71.55	28.45
3-	Camiş Menkul Değerler A.Ş.	İstanbul/TURKEY	67.60	32.40
4-	CJSC İşbank	Moscow/RUSSIA	100.00	0.00
5-	Efes Varlık Yönetim A.Ş.	İstanbul/TURKEY	63.96	36.04
6-	Is Investment Gulf Ltd.	Dubai/UAE	67.62	32.38
7-	İş Factoring Finansman Hizmetleri A.Ş.	İstanbul/TURKEY	40.73	59.27
8-	İş Finansal Kiralama A.Ş.	İstanbul/TURKEY	40.10	59.90
9-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	50.42	49.58
10-	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	33.48	66.52
11-	İş Portföy Yönetimi A.Ş.	İstanbul/TURKEY	65.84	34.16
12-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	67.62	32.38
13-	İş Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	21.57	78.43
14-	İşbank GmbH	Frankfurt/GERMANY	100.00	0.00
15-	Maxis Securities Ltd.	London/ENGLAND	67.62	32.38
16-	Milli Reasürans T.A.Ş.	İstanbul/TURKEY	76.64	23.36
17-	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	25.93	74.07
18-	TSKB Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	17.10	82.90
19-	Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/TURKEY	43.01	56.99
20-	Yatırım Finansman Menkul Değerler A.Ş.	İstanbul/TURKEY	41.74	58.26

(1) As of the Parent Bank's share percentage, the indirect share of the Group is considered.

Financial statement information related to consolidated subsidiaries in the above order:

	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (1)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss (2)	Fair Value
1-	1,998,851	637,966	49,381	51,146	24,614	-2,288	6,605	(3) (4)
2-	5,651,031	435,720	23,023	198,130	20,178	49,205	58,617	(3) (4)
3-	26,672	4,622	959	2,193	17	-318	-356	(3) (4)
4-	311,944	44,993	41,611	18,133	3	321	79	
5-	49,507	7,838	731	452		-2,162		
6-	1,501	1,501	357			-388		
7-	432,413	52,973	672	35,299	2,034	8,236	5,361	
8-	2,242,053	520,018	2,515	155,531	3,980	54,266	64,869	
9-	1,161,022	1,034,472	1,025,715	5,199	669	66,954	60,918	
10-	176,411	172,441	240	3,147	975	37,995	10,522	(3) (4)
11-	61,489	59,630	1,213	5,380	1,842	9,941	10,986	
12-	3,647,176	678,366	9,391	98,207	45,817	70,889	73,822	(3) (4)
13-	225,200	223,778	38	5,402	1,781	-2,636	31,707	
14-	2,259,173	259,744	42,390	92,178	351	13,969	10,086	
15-	34,490	2,220	367	2,871		-1,029	464	
16-	1,594,892	447,270	46,842	42,789	44,166	-144,737	64,091	
17-	324,370	201,466	293,657	1,238		-19,467	6,339	(3) (4)
18-	38,736	38,650		1,047	471	-3,527	5,633	
19-	9,821,491	1,486,861	235,859	394,011	11,772	170,649	182,805	(3) (4)
20-	642,295	64,918	1,405	18,527	20,983	5,973	7,661	(3) (4)

(1) Includes interest income on securities.
(2) Value as of 31 December 2010.
(3) Includes value as of 30 September 2011.
(4) Prior period profit/loss as of 30 September 2010.

b. 2. Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	2,792,347	2,343,739
Movements in the Period		
Purchases (1)	417,877	213,187
Bonus Shares Acquired		26,692
Dividends Received from the Current Year Profit		
Sales		-239,511
Revaluation Surplus (2)	-840,761	448,240
Impairment		
Balance at the End of the Period	2,369,463	2,792,347
Capital Commitments		
Contribution in equity at the end of the period (%)		

(1) As of reporting date, TL 417,877 recognized in current period, is comprised of TL 57,456 is from the purchase of Closed Joint Stock Company İşbank, TL 62,910 is from the participation in the cash capital increase of İşbank GmbH and the remaining part resulted from the acquisitions related to the capital increases of subsidiaries through retained earnings.
(2) The relevant amounts represent the increases and decreases in the market value of participations traded on the stock exchange.

b. 3. Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	793,824	790,240
Insurance Companies	968,185	1,209,520
Factoring Companies		
Leasing Companies	107,413	114,790
Finance Companies		
Other Financial Subsidiaries	500,041	677,797
Total	**2,369,463**	**2,792,347**

b. 4. Consolidated subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	1,716,327	2,370,596
Traded on international stock exchanges		

b. 5. Consolidated subsidiaries disposed of in the current period: None.

b. 6. Subsidiaries acquired in the current period:

Efes Varlık Yönetim A.Ş., which has TL 20,000 capital and which was founded with the 74% participation of İş Yatırım Menkul Değerler A.Ş. one of the financial subsidiaries of the Parent Bank, and Is Investment Gulf Ltd., which has USD 1 million capital and which was founded with the 100% participation of the same subsidiary, have been included in consolidation as of the current period.

Within the framework of the Share Purchase Agreement signed for the acquisition of 100% shares of Closed Joint Stock Company İşbank, operating in Russia, as per the resolution of the Bank's Board dated 25 October 2010, USD 36 million of the share value, which is USD 40 million in total, has been paid and the share transfer has been finalized as of 27 April 2011. Remaining amount of USD 4 million will be paid after one year within the framework of the Share Purchase Agreement. Closed Joint Stock Company İşbank was consolidated as of the current period.

b. 7. Other issues on subsidiaries:

In the current sector, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. participated in 20% of the capital of Aras Kargo Taşımacılık A.Ş., which operates in logistic sector, in return for TL 17,500.

9. Information on jointly controlled entities:

There are no jointly controlled entities of the Parent Bank.

10. Information regarding finance lease receivables (Net):

a. 1. Presentation of finance lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	494,985	403,078	409,423	339,933
1-4 Years	882,020	765,864	616,374	529,691
More than 4 Years	222,360	205,170	100,803	92,673
Total	**1,599,365**	**1,374,112**	**1,126,600**	**962,297**

a. 2. Information regarding net investments made on finance lease:

	Current Period	Prior Period
Gross Finance Lease Investment	1,599,365	1,126,600
Unearned Financial Revenue from Financial Lease (-)	225,253	164,303
Net Finance Lease Investment	**1,374,112**	**962,297**

b. Presentation of operating lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	2,278	2,278	968	968
1-4 Years				
More than 4 Years				
Total	**2,278**	**2,278**	**968**	**968**

11. Explanations on derivative financial assets held for risk management:

The Group has no derivative financial assets held for risk management.

12. Information on Tangible Assets (Net):

Current Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,716,907	11,566	20,018	1,259,693	5,008,184
Movements in the Period					
- Acquisitions (1)	45,745	7,103	1,149	270,125	324,122
- Disposals	-84,819	-113	-968	-54,680	-140,580
- Impairment (2)	5,030			19	5,049
- Transfers	50,100	-9,897	472	61,079	101,754
- Foreign Currency Difference	7,608		29	3,762	11,399
Impact of Consolidated Subsidiaries	32,481	110	911	3,264	36,766
Balance at the End of the Current Period	3,773,052	8,769	21,611	1,543,262	5,346,694
Accumulated Depreciation					
Balance at the Beginning of the Period	-2,183,844		-13,332	-811,375	-3,008,551
Movements in the Period					
- Depreciation Charge	-54,262		-3,055	-133,640	-190,957
- Disposals	20,479		798	18,542	39,819
- Impairment					
- Transfers	-13,465		76	3,065	-10,324
- Foreign Currency Difference	-2,080		-25	-3,207	-5,312
Impact of Consolidated Subsidiaries	-1,846		-558	-2,113	-4,517
Balance at the End of the Current Period	-2,235,018		-16,096	-928,728	-3,179,842
Net Book Value at the End of the Prior Period	1,533,063	11,566	6,686	448,318	1,999,633
Net Book Value at the End of the Current Period	**1,538,034**	**8,769**	**5,515**	**614,534**	**2,166,852**

(1) As of the balance sheet date, the book value of tangible assets acquired during the period due to receivables amounts to TL 45,174.
(2) They are the impairment releases related to the real estates, whose fair values have increased due to their renewed appraisals.

Prior Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,749,608	61,540	18,699	1,177,775	5,007,622
Movements in the Period					
- Acquisitions (1)	104,124	21,528	1,322	204,979	331,953
- Disposals	-216,387	-25,370	-621	-130,704	-373,082
- Impairment	43,265			304	43,569
- Transfers	36,297	-46,132		-7,274	-17,109
Impact of Consolidated Subsidiaries			618	14,613	15,231
Balance at the End of the Current Period	3,716,907	11,566	20,018	1,259,693	5,008,184
Accumulated Depreciation					
Balance at the Beginning of the Period					
Movements in the Period	-2,197,302		-9,976	-760,071	-2,967,349
- Depreciation Charge	-51,410		-3,506	-111,489	-166,405
- Disposals	63,712		467	67,427	131,606
- Impairment					
- Transfers	1,156			4,805	5,961
Impact of Consolidated Subsidiaries			-317	-12,047	-12,364
Balance at the End of the Current Period	-2,183,844		-13,332	-811,375	-3,008,551
Net Book Value at the End of the Prior Period	1,552,306	61,540	8,723	417,704	2,040,273
Net Book Value at the End of the Current Period	**1,533,063**	**11,566**	**6,686**	**448,318**	**1,999,633**

(1) As of the balance sheet date, the book value of tangible assets acquired during the period due to receivables amounts to TL 89,936.
(2) They are the impairment releases related to the real estates, whose fair values have increased due to their renewed appraisals.

13. Information on Intangible Assets:

Explanation regarding consolidation goodwill that is included in intangible assets is given in Section Three under the caption of "XII. Explanations on Goodwill and Other Intangible Assets." The table consisting movements of other intangible assets are presented below.

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	217,299	149,000
Movements in the Period		
- Acquisitions	96,988	58,149
- Disposals	-2,614	
- Impairment (-)		
- Transfers	10,800	8,110
- Foreign Currency Difference	2,896	
- Impact of Consolidated Subsidiaries		2,040
Balance at the End of the Period	325,369	217,299
Accumulated Amortization		
Balance at the Beginning of the Period	-168,355	-110,923
Movements in the Period		
- Amortization Charge (-)	-53,468	-51,375
- Disposals	270	
- Impairment		
- Transfers	-10,242	-5,491
- Impact of Consolidated Subsidiaries	-2,812	
- Foreign Currency Difference		-566
Balance at the End of the Current Period	-234,607	-168,355
Net Book Value at the End of the Prior Period	48,944	38,077
Net Book Value at the End of the Period	**90,762**	**48,944**

14. Information on investment property:

Investment properties are properties that the Group holds to earn rentals. Explanations on these subjects are given in Section Three: XIV.

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	1,454,485	999,210
Movements in the Period		
- Acquisitions	28,291	164,950
- Disposals (-)	-486	-2,136
- Impairment	-103,007	12,725
- Transfers	-109,049	760
- Impact of Consolidated Subsidiaries		278,976
Balance at the End of the Period	1,270,234	1,454,485
Accumulated Amortization		
Balance at the Beginning of the Period	-212,328	-188,428
Movements in the Period		
- Amortization Charge (-)	-31,693	-23,900
- Disposals	207	
- Impairment		
- Transfers	10,874	
Balance at the End of the Current Period	-232,940	-212,328
Net Book Value at the End of the Prior Period	1,242,157	810,782
Net Book Value at the End of the Period	**1,037,294**	**1,242,157**

15. Information on deferred tax asset:

The Parent Bank and the other consolidated Group companies have TL 635,784 deferred tax asset as of 31 December 2011. Such deferred tax asset is calculated based on the temporary differences between the book value of assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items.

	Current Period	Prior Period
Tangible Assets Base Differences	25,851	25,572
Provisions (1)	-470,292	-414,750
Finance Lease Adjustment	4,072	3,416
Valuation of Financial Assets	-93,929	-370,615
Other (2)	-101,486	-64,359
Net Deferred Tax (Asset)/Liability:	**-635,784**	**-820,736**

(1) Comprised of employee termination benefits, actual and technical deficits of the pension fund, insurance technical provisions, the provisions for credit card bonus points, and other provisions.
(2) The investment incentive application has been removed starting from 1 January 2006 and the investment incentives of companies, which have not been used as of 31 December 2005 are enabled to be used by deducting from incomes of years 2006, 2007 and 2008; and it is stated that the amount, if not deducted from the 2008 income, will not be transferred to other periods. On the other hand, the Court of Constitution has cancelled this regulation that removes the gained rights at the meeting on 15 October 2009, finding it against the Constitution, and in this way, the time limitation with respect to the investment incentive was removed as of the date of reporting. The related decision was published on the Official Gazette dated 8 January 2010. Within this context, İş Finansal Kiralama A.Ş., one of the consolidated companies, has TL 470,837 unused investment incentive and TL 62,775 (31 December 2010: TL 74,552) of the "Other" item on the above table consists of the deferred tax amount calculated over the related investment incentive.

The movement of deferred tax asset is as follows:

	Current Period	Prior Period
Balance at the Beginning of the Period	815,924	616,132
Deferred Tax Benefit / (Charge) (Net)	-313,445	208,333
Deferred Tax Recognized under Equity	127,028	-9,253
Foreign Currency Difference	-205	
Impact of Consolidated Subsidiaries	2,392	712
Deferred Tax Asset (*)	**631,694**	**815,924**

(*)In the current period consolidated financial statements, deferred tax asset amounts to TL 635,784 and the deferred tax liability amounts to TL 4,090; the movement table states the net balance. Explanations on deferred tax liability are given in Part Five footnote II 9.b.

16. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Net Book Value at the Beginning of the Period	54,233	28,801
Additions	66,563	54,690
Transfers (Net)	6,187	7,769
Disposals (-) (Net)	-63,976	-36,457
Impairment Losses (-)		
Amortization	-2,751	-570
Net Book Value at the End of the Period	**60,256**	**54,233**

The Group has no discontinued operations. The assets classified as "Assets Held for Sale" of the Group consist of real estates. Those real estates of the Parent Bank subject to sale are announced on the Parent Bank's web site. Announcements about the real estates subject to sale are also made by means of newspaper advertisements and similar media.

17. Information on Other Assets of the Group:

The "other assets" item does not exceed 10% of total assets.

II. EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED LIABILITIES

1. Information on Deposits:

a.1. The maturity structure of deposits (Current Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,005,140		4,200,439	28,040,187	2,412,466	503,674	501,736		40,663,642
Foreign Currency Deposits	6,296,721		5,781,985	16,412,530	2,077,563	892,481	3,980,190		35,441,470
Residents in Turkey	5,611,233		5,313,900	15,681,856	1,753,633	401,050	1,695,488		30,457,160
Residents Abroad	685,488		468,085	730,674	323,930	491,431	2,284,702		4,984,310
Deposits of Public Institutions	208,535		419,186	398,015	5,457	168	678		1,032,039
Commercial Deposits	4,521,788		1,444,240	4,445,532	166,144	22,173	132,616		10,732,493
Other Institutions Deposits	273,119		607,730	2,949,255	664,662	1,609,254	1,553		6,105,573
Precious Metals Deposits	2,479,052								2,479,052
Interbank Deposits	270,076		550,609	865,146	197,758	148,420	345,718		2,377,727
The Central Bank of Turkey	83,478								83,478
Domestic Banks	11,135		48,085	291,269	97,408		2,067		449,964
Foreign Banks	172,094		502,524	573,877	100,350	148,420	343,651		1,840,916
Participation Banks	3,369								3,369
Other									
Total	**19,054,431**		**13,004,189**	**53,110,665**	**5,524,050**	**3,176,170**	**4,962,491**		**98,831,996**

a.2. The maturity structure of deposits (Prior Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	4,518,478		20,032,697	11,969,945	1,101,909	274,201	376,989		38,274,219
Foreign Currency Deposits	4,987,099		10,297,599	8,155,433	1,665,021	951,447	2,380,522		28,437,121
Residents in Turkey	4,529,212		9,609,051	7,881,884	1,331,544	500,184	1,400,308		25,252,183
Residents Abroad	457,887		688,548	273,549	333,477	451,263	980,214		3,184,938
Deposits of Public Institutions	336,578		145,950	66,418	3,184		6,887		559,017
Commercial Deposits	4,008,693		2,914,169	3,880,812	156,563	23,840	2,863		10,986,940
Other Institutions Deposits	222,342		1,358,093	4,359,227	1,214,386	1,092	782		7,155,922
Precious Metals Deposits	336,249								336,249
Interbank Deposits	279,454		779,482	1,335,075	99,020	55,247	178,873		2,727,151
The Central Bank of Turkey	74,276								74,276
Domestic Banks	18,065		276,579	641,487			3,155		939,286
Foreign Banks	185,542		502,903	693,588	99,020	55,247	175,718		1,712,018
Participation	1,571								1,571
Other									
Total	**14,688,893**		**35,527,990**	**29,766,910**	**4,240,083**	**1,305,827**	**2,946,916**		**88,476,619**

b.1. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund and which exceed the limit of deposit insurance:

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	16,344,278	16,526,269	24,004,306	21,470,358
Foreign Currency Savings Deposits	7,242,877	5,936,695	15,250,682	11,306,743
Other Deposits in the Form of Savings Deposits				
Foreign Branches' Deposits Under Foreign Authorities' Insurance	2,207,773	1,578,275	49,636	65,303
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			17,827	67,171

b.2. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Deposits Under Foreign Authorities Insurance	277,962	279,628
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	8,957	8,689
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004		
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey		

2. Information on Derivative Financial Liabilities Held for Trading:

Negative differences on derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	103,796	124,384	8,068	58,897
Swap Transactions	363,765	233,635	387,262	232,207
Futures	873	339	161	
Options	269	43,930	808	43,812
Other	2,333	42,762	95	
Total	**471,036**	**445,050**	**396,394**	**334,916**

3. Banks and Other Financial Institutions:

a. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds borrowed from the Central Bank of Turkey				
Funds borrowed from Domestic Banks and Institutions	501,011	766,941	873,131	483,658
Funds borrowed from Foreign banks, institutions and funds	41,140	17,470,183	35,007	12,891,069
Total	**542,151**	**18,237,124**	**908,138**	**13,374,727**

b. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	491,721	6,539,309	905,269	4,883,754
Medium and Long-term	50,430	11,697,815	2,869	8,490,973
Total	**542,151**	**18,237,124**	**908,138**	**13,374,727**

c. Information on funds borrowed:

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

Syndicated loans:

Date of Use	Funds Borrowed	Maturity
September 2010	USD 45,000,000 + EUR 115,000,000	2 years
May 2011	USD 290,000,000 + EUR 626,000,000	1 year (with 1 year extension option)
June 2011	USD 5,000,000 + EUR 95,000,000	1 year
September 2011	USD 359,000,000 + EUR 603,000,000	1 year (with 1 year extension option)

Securitization deals:

The Parent Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through TIB Diversified Payment Rights Finance Company, and all its claims and receivables based on FC debit and credit card receivables through TIB Card Receivables Funding Company Limited, both of which are special purpose vehicles established abroad.

Information on funds received through securitization is given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as of 31 December 2011
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 89,600,000
May 2005	TIB Diversified Payment Rights Finance Company	USD 700,000,000	5-8 years	USD 118,750,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 127,561,065
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 344,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 430,000,000
October 2011	TIB Diversified Payment Rights Finance Company	USD 75,000,000	5 years	USD 75,000,000
October 2011	TIB Diversified Payment Rights Finance Company	EUR 160,000,000	5-7 years	EUR 160,000,000

4. Other Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1,888,329		195,954	
Bonds	934,096	943,451		
Total	**2,822,425**	**943,451**	**195,954**	

Concentration of the liabilities of the Group:

Of the Group's liabilities 54% are comprised of deposits, 11% are comprised of funds provided from repurchase agreements and 12% are comprised of funds borrowed and marketable securities issued. Deposits are distributed among a large variety of customers with different characteristics. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. No risk concentration exists related to the Group's liabilities.

5. Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

6. Information on lease payables (Net):

The group does not have any liabilities resulting from finance lease transactions.

7. Information on derivative financial liabilities held for risk management:

The Group does not have any derivative financial liabilities held for risk management purposes.

8. Information on provisions:

a. Information on general loan loss provisions:

	Current Period	Prior Period
General Loan Loss Provisions	1,315,935	745,322
Provision for Group I Loans and Receivables	1,103,000	570,518
Provision for Group II Loans and Receivables(1)	39,143	31,547
Provision for Non-cash Loans	119,374	78,496
Other	54,418	64,761

(1)Also includes general provision for Group II Non-cash Loans.

Within the framework of the "Regulation Regarding the Amendment of the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", which was published in the Official Gazette dated 28 May 2011, no. 27947, TL 67,336 additional provision was set aside for 32,658 loans (7,914 group I loans / 24,744 group II loans), whose maturities have been extended for up to one year and for 49,227 loans (37,145 group I loans / 12,082 group II loans), whose maturities have been extended for more than a year.

b. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 2,731.85 (full TL amount as of 31 December 2011), which is one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits. On Group basis, as of 31 December 2011 TL 260,666 provision was set aside and reflected to the financial statements (31 December 2010: TL 222,643).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- discount and inflation rates, which vary by years, were used for the calculation and the real rate of increase in salaries was taken as 2%.
- TL 2,731.85 (full TL amount) salary ceiling, which was effective as at 31 December 2011 was taken into account for the calculations.
- the age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees

The movements related to provision for employee termination benefits are given below.

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	222,643	166,068
Service Cost	20,596	14,643
Interest Cost	19,926	16,487
Benefits paid	-21,491	-14,475
Loss/(Gain) due to Settlements / Reductions / Terminations	729	343
Actuarial loss/(gain)	18,263	37,929
Impact of Consolidated Companies		1,648
Defined benefit obligation at the end of the period	**260,666**	**222,643**

In addition to the employee termination benefits, the Bank and consolidated Group companies also allocate provisions for the unused vacation pay. Provision for unused vacation pay as of 31 December 2011 stands at TL 26,790 (31 December 2010: TL 22,018).

c. Provisions for exchange losses in the principal amount of foreign currency indexed loans:

Since foreign currency indexed loans are followed based on the rates on the lending date, the Parent Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As of 31 December 2011, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 4,188 and this amount is offset against foreign currency indexed loan balance in the financial statements.

d. Specific provisions for non-cash loans, which are not indemnified and not converted into cash:

TL 85,392 provision (31 December 2010: TL 151,906) is allocated for the non-cash loans of companies whose loans are followed under non-performing loans accounts.

e. Information on other provisions:

e.1. Provisions for potential risks:

Taking the potential risks in the economy and in the markets into account, provision amounting to TL 950,000, total of which in prior periods, was provided in total in accordance with the precautionary principle.

e.2. Liabilities arising from retirement benefits:

- Liabilities of pension funds founded as per the Social Security Institution:

Within the scope of the explanations given in Part Three Note XVII, in the actuarial report which was prepared as of 31 December 2011 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act No. 506, the amount of actuarial and technical deficit stands at TL 1,338,159. Additional TL 19,914 provision was set aside for the difference between and the newly determined deficit amount and the TL 1,318,245 provision amount set aside by the Bank for the related pension fund until the current period. As a result of the actuarial valuation of Milli Reasürans T.A.Ş., besides the Parent Bank, as of 31 December 2011, the amount of actuarial and technical deficit was determined to be TL 25,170. Additional provision was set aside for the TL 4,397 difference between the Company's TL 20,773 provision set aside for the related pension fund until the current period and the technical deficit amount that has been newly determined.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of 31 December 2011, in other words, it measures the amount to be paid to the Social Security Institution by the Parent Bank. CSO 1980 mortality table, 9.8% technical deficit interest rate and 33.5% premium rate were taken into account in actuarial calculations. Below table shows the cash values of premium and salary payments as of 31 December 2011, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	-3,666,014	-3,401,547
Net Present Value of Long Term Insurance Line Premiums	1,562,338	1,437,212
Net Present Value of Total Liabilities Other Than Health	**-2,103,676**	**-1,964,335**
Net Present Value of Health Liabilities	-482,099	-438,786
Net Present Value of Health Premiums	929,964	855,484
Net Present Value of Health Liabilities	**447,865**	**416,698**
Pension Fund Assets	**317,652**	**229,392**
Amount of Actuarial and Technical Deficit	**-1,338,159**	**-1,318,245**

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	196,541	164,851
Securities Portfolio	94,007	52,569
Other	27,104	11,972
Total	**317,652**	**229,392**

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

9. Information on Tax Liability:

a. Explanations related to current tax liability:

a.1. Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in Note XXI of Part 3. The remaining corporate tax liability of the Parent Bank and the consolidated companies after the deduction of the temporary tax amount stands at TL 205,315 as of 31 December 2011.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	205,315	235,575
Tax on Securities Income	117,197	78,353
Tax on Real Estate Income	1,893	1,603
Banking Insurance Transaction Tax	66,255	46,159
Foreign Exchange Transaction Tax	28	22
Value Added Tax Payable	1,344	1,501
Other	32,419	28,198
Total	**424,451**	**391,411**

a.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	1,314	723
Social Security Premiums - Employer	1,515	770
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees	1,153	1,005
Pension Fund Membership Fees and Provisions-Employer	30	31
Unemployment Insurance - Employees	1,807	728
Unemployment Insurance – Employer	3,459	1,372
Other	262	323
Total	**9,540**	**4,952**

b. Information on deferred tax liabilities:

The Parent Bank and the consolidated Group companies have TL 4,090 deferred tax liability as of 31 December 2011. The related deferred tax liability is calculated over the temporary differences between the book values of assets and liabilities in the records and their tax base values calculated according to tax.

Deferred Tax Liability:	**Current Period**	**Prior Period**
Tangible Assets Tax Base Differences	2,197	1,351
Provisions (1)	-251	-2,101
Valuation of Financial Assets	1,844	4,740
Other	300	822
Net Deferred Tax Liability	**4,090**	**4,812**

(1)Comprised of provisions set aside for employee benefits.

10. Information on payables for assets held for sale and discontinued operations:

The Group does not have any payables for assets held for sale and discontinued operations.

11. Explanations on subordinated loans:

	Current Period		**Prior Period**	
	TL	**FC**	**TL**	**FC**
Domestic Banks				
Other Domestic Institutions				
Foreign Banks				
Other Foreign Institutions		95,000		77,947
Total		**95,000**		**77,947**

TSKB, consolidated affiliate of the Parent Bank, has used a subordinated loan amounting USD 50 Million from International Finance Corporation through direct financing on 5 November 2004. The maturity date of the subordinated loan with interest rate of Libor + 2.25% and without any repayment of principal in the first five years is 15 October 2016.

12. Information on consolidated shareholders' equity:

a. Presentation of paid-in capital:

	Current Period	**Prior Period**
Common shares	4,499,970	4,499,970
Preferred shares	30	30
Total	**4,500,000**	**4,500,000**

b. Explanation as to whether the registered share capital system ceiling is applicable at bank, if so, the amount of registered share capital:

Capital System	**Paid-in Capital**	**Ceiling**
Registered Capital System	4,500,000	7,000,000

c. The capital increase made in current period: None.

d. Capital increase through transfer from capital reserves during the current period: None.

e. Significant commitments of the Parent Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: There are no capital commitments.

f. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Group's equity: The Parent Bank's and the Group companies' balance sheets are managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level and this contributes positively to the Group's profitability performance.

g. Privileges Granted to Shares:

Group (A) shares each with a nominal value of 1 Kuruş have the privileges of;

- receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and
- 20 voting rights (Article 49 of the Articles of Incorporation)

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kuruş, have the same rights with the Group (C) shares having a nominal value of 4 Kuruş each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kuruş, are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

h. Information on marketable securities value increase fund:

	Current Period		**Prior Period**	
	TL	**FC**	**TL**	**FC**
Associates, Subsidiaries and Jointly Controlled Entities	1,416,409		962,201	
Valuation Difference	1,416,409		962,201	
Foreign Exchange Differences				
Financial Assets Available for Sale	-395,965	139,462	209,657	69,621
Valuation Difference	-462,711	139,462	261,609	69,631
Deferred Tax Effect on Valuation	66,746		-51,952	-10
Foreign Exchange Differences				
Total	**1,020,444**	**139,462**	**1,171,858**	**69,621**

13. Explanations on Minority Shares:

	Current Period	**Prior Period**
Paid-in Capital	1,654,237	1,466,719
Share Premium	5,409	5,409
Marketable Securities Revaluation Reserve	17,442	229,032
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	1,179	1,179
Legal Reserves	145,320	120,688
Statutory Reserves	31,584	25,986
Extraordinary Reserves	341,143	287,785
Other Profit Reserves	70	1,588
Prior Years' Profit / Loss	109,425	186,583
Current Year Profit/ Loss (1)	164,641	324,794
Period Ending Balance	**2,470,450**	**2,649,763**

(1) Difference between effective and direct shareholding was TL 46,812 in the current period. (31 December 2010: TL 32,256)

III. EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Explanations to liabilities related to off-balance items:

a. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 13,172,835 and commitment to pay for check leaves amounts to TL 4,914,758. The amount of commitment for the forward purchase of assets is TL 650,405 and for the forward sale of assets is TL 652,889.

b. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items. Commitments are shown in the table of "Off-Balance Sheet Items".

b.1. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	500,455	211,538
Letters of Credit	5,761,529	3,380,888
Other Guarantees	1,021,974	372,685
Total	**7,283,958**	**3,965,111**

b.2. Definite guarantees, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Provisional Letters of Guarantee	1,201,212	531,378
Definite Letters of Guarantee	13,702,059	9,066,160
Advance Letters of Guarantee	3,005,909	2,110,965
Letters of Guarantee Addressed to Customs	905,572	523,800
Other Letters of Guarantee	1,109,521	232,601
Total	**19,924,273**	**12,464,904**

c. 1. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	348,352	178,890
With Original Maturity of 1 Year or Less	37,774	65,655
With Original Maturity More Than 1 Year	310,578	113,235
Other Non-cash Loans	26,859,879	16,251,125
Total	**27,208,231**	**16,430,015**

c. 2. Sectoral Risk Concentration of Non-cash Loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	114,202	1.12	40,730	0.24	85,956	1.25	32,436	0.34
Farming and Stockbreeding	56,855	0.56	34,295	0.20	41,670	0.60	32,436	0.34
Forestry	56,233	0.55	6,088	0.04	42,884	0.62		0.00
Fishery	1,114	0.01	347	0.00	1,402	0.03		0.00
Industry	3,245,018	31.69	10,169,300	59.93	2,208,189	32.03	4,881,637	51.19
Mining and Quarrying	100,355	0.98	120,057	0.71	69,393	1.01	72,721	0.76
Manufacturing	2,386,390	23.30	7,744,255	45.64	1,614,669	23.42	3,352,725	35.16
Electricity, Gas, Water	758,273	7.41	2,304,988	13.58	524,127	7.60	1,456,191	15.27
Construction	1,964,191	19.18	2,022,130	11.92	783,491	11.37	1,055,496	11.07
Services	4,802,627	46.90	3,096,006	18.25	3,751,501	54.42	2,288,342	24.00
Wholesale and Retail Trade	2,971,252	29.02	1,625,621	9.58	2,410,990	34.97	1,394,454	14.62
Hotel and Restaurant Services	100,326	0.98	19,355	0.11	85,046	1.23	13,536	0.14
Transportation and Communication	261,961	2.56	846,567	4.99	231,230	3.35	360,130	3.78
Financial Institutions	947,143	9.25	281,647	1.66	667,212	9.68	268,349	2.81
Real Estate and Rental Services	248,303	2.42	188,061	1.11	163,692	2.37	174,487	1.83
Self-Employed Services	205,340	2.01	118,123	0.70	140,048	2.03	57,522	0.60
Educational Services	16,043	0.16	6,926	0.04	12,706	0.18	10,116	0.11
Health and Social Services	52,259	0.50	9,706	0.06	40,577	0.61	9,748	0.11
Others	114,229	1.11	1,639,798	9.66	64,355	0.93	1,278,612	13.40
Total	**10,240,267**	**100.00**	**16,967,964**	**100.00**	**6,893,492**	**100.00**	**9,536,523**	**100.00**

c. 3. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	**10.180.154**	**16.793.343**	**60.113**	**174.621**
Letters of Guarantee	10.135.691	9.577.343	60.113	151.126
Bank Acceptances	3.628	494.552		2.275
Letters of Credit		5.745.509		16.020
Endorsements		375.869		
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	40.835	600.070		5.200

2. Information on Derivative Financial Instruments:

Majority of the Group's derivative transactions comprise foreign currency and interest rate swaps, forward foreign exchange trading, currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "held for trading purposes" within the framework of TAS 39 "Financial Instruments: Recognition and Measurement".

3. Explanations Related to Contingencies and Commitments:

The balance of the “Other Irrevocable Commitments” account, under which the amount of letters of guarantees, guarantees and commitments submitted by the Group pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Bank and the commitments due to housing loans extended within the scope of unfinished house projects are followed, stands at TL 7,191,833. TL 4,914,758 liability of the Bank regarding the checks given to customers is presented under off balance sheet commitments, as per the related regulations. In case the cheques presented for payment to beneficiaries are not covered, the Bank will be obliged to pay the uncovered amount up to TL 600 (exact amount) for the cheques that are subject to the Law no. 3167 on “the Regulation of Payments by Cheque and Protection of Cheque Holders”, within the framework of the Law no. 6273 on “Amendments in the Cheque Law”, which came into effect after being published in the Official Gazette dated 3 February 2012, and up to TL 1,000 (exact amount) for the cheques that are subject to the “Cheque Law” no. 5941. The Bank will try to collect the amount paid from the customer and the uncollected amount will be followed under “Indemnified Non-Cash Loans”.

4. Explanations related to transactions made on behalf of or on the account of others:

It is explained in Note X under Part Four.

IV. EXPLANATIONS AND FOOTNOTES ON THE CONSOLIDATED INCOME STATEMENT

1.a. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Loans (1)				
Short-term Loans	2,412,409	250,411	2,130,056	150,768
Medium and Long-term Loans	3,362,099	1,202,446	2,974,892	678,617
Interest on Non-performing Loans	266,741	4,711	246,435	59
Premiums Received from State Resource Utilization Support Fund				
Total	**6,041,249**	**1,457,568**	**5,351,383**	**829,444**

(1) Includes fee and commission income on cash loans.

1.b. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey			104,324	
Domestic Banks	99,912	76,607	182,532	14,416
Foreign Banks	5,722	11,891	12,458	34,118
Foreign Head Offices and Branches				
Total	**105,634**	**88,498**	**299,314**	**48,534**

1.c. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Financial Assets Held for Trading	63,131	780	75,112	1,865
Interest Income on Financial Assets at Fair Value through Profit and Loss				
Interest Income on Financial Assets Available for Sale	1,960,394	432,535	1,931,456	480,080
Investments Held to Maturity	1,763,316	482	1,687,078	3,056
Total	**3,786,841**	**433,797**	**3,693,646**	**485,001**

1.d. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	3,764	4,333

2.a. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	53,548	204,591	403,615	138,039
Central Bank of Turkey	421		72	
Domestic Banks	31,604	16,283	50,301	12,831
Foreign Banks	21,523	188,308	353,242	125,208
Foreign Head Offices and Branches				
Other Institutions		115,311		83,652
Total (1)	**53,548**	**319,902**	**403,615**	**221,691**

(1) Includes fee and commission expenses regarding cash loans.

2.b. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	19,354	9,523

2.c. Information on interest paid to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid to Securities Issued	167,914	41,792	5,722	

2.d. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits						Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year	Accumulated Deposits	
TL								
Bank Deposits	3	8,589	32,879	6,043	2,244	3,060		52,818
Savings Deposits	8	724,326	1,917,244	166,770	34,497	34,021		2,876,866
Public Sector Deposits	18	7,495	13,466	825	2	483		22,289
Commercial Deposits	118	142,974	356,772	63,214	6,764	3,984		573,826
Other Institutions Deposits		72,943	206,982	183,437	104,802	58		568,222
Deposits with 7 Days Notice								
Total	147	956,327	2,527,343	420,289	148,309	41,606		4,094,021
FC								
Foreign Currency Deposits	1,023	183,234	407,435	89,033	23,321	107,894		811,940
Bank Deposits	34	4,055	10,539	5,901	1,686	3,593		25,808
Deposits with 7 Days Notice								
Precious Metals Deposits								
Total	1,057	187,289	417,974	94,934	25,007	111,487		837,748
Grand Total	**1,204**	**1,143,616**	**2,945,317**	**515,223**	**173,316**	**153,093**		**4,931,769**

3. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading	3,819	6,624
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	4,267	2,556
Other	163,391	36,605
Total	**171,477**	**45,785**

4. Information on trading income/losses (Net):

	Current Period	Prior Period
Profit	**85,788,921**	**56,767,408**
Securities Trading Gains	258,036	1,771,305
Gains on Derivative Financial Instruments	4,460,110	2,937,723
Foreign Exchange Gains	81,070,775	52,058,380
Losses (-)	**85,342,008**	**56,474,496**
Securities Trading Losses	126,005	1,115,075
Losses on Derivative Financial Instruments	4,145,245	2,989,063
Foreign Exchange Losses	81,070,758	52,370,358
Trading Income/Losses (Net)	**446,913**	**292,912**

The profit amount arising from foreign currency changes related to derivative transactions stands at TL 3,364,318, the loss amount stands at TL 584,517 and the amount of net profit is TL 2,779,801 (31 December 2010 profit: TL 2,423,977, loss: TL 1,749,034).

5. Information on other operating income:

TL 2,565,661 of other operating income sources from inclusion and classification of operations of insurance and reinsurance companies; 92% of which is from insurance premiums. Other items of the other operating income are composed of collections and cancellations of the provisions set aside in prior years for various reasons mainly for non-performing loans. The rest of income consists of sales profit of subsidiaries, associates and tangible assets, fee income received from customers on various banking services. Also, TL 62,478 obtained from the sale of shares of Visa and Mastercard, which the Bank follows under available-for-sale securities portfolio, is included in other operating income.

In prior period, operating income of insurance and reinsurance companies in this item is TL 2,313,627; 93% of which is from insurance premiums.

6. Information on provision for impairment on loans and other receivables:

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

7. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	2,155,047	1,911,565
Reserve for Employee Termination Benefits	38,038	54,927
Bank Pension Fund Deficit Provisions	24,311	23,617
Impairment Losses on Tangible Assets		36,433
Depreciation Expenses of Tangible Assets	217,779	183,680
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	53,468	51,375
Impairment Losses on Share of Participations Accounted for Using the Equity Method		
Impairment Losses on Assets to be Disposed	1,197	1,079
Depreciation Expenses of Assets to be Disposed	7,622	7,195
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	1,286,879	1,046,851
Operating Lease Expenses	149,377	117,610
Repair and Maintenance Expenses	28,471	22,668
Advertisement Expenses	182,027	165,397
Other Expenses	927,004	741,176
Loss on Sale of Assets	2,073	21,288
Other	2,829,381	2,333,977
Total	**6,615,795**	**5,671,987**

On the table above, TL 2,304,799 of other operating expense includes insurance and reinsurance companies expenses which are related with their operations, 13% of which is from technical provisions and 87% from paid claims.

In prior period, TL 1,977,806 of other operating expense includes insurance and reinsurance companies expenses which are related with their operations, 14% of which is from technical provisions and 86% from paid claims.

8. Information on Profit/Loss before taxes including Profit/Loss from continuing and discontinued operations

The Group's profit before tax is generated from its continuing operations. The profit before tax consists of net interest income of TL 5,416,996, net fee and commission income of TL 1,102,726 and the other operation expenses amount to TL 6,615,795.

9. Information on Provision for taxes including taxes from continuing and discontinued operations

As of 31 December 2011 the Group's total tax provision of TL 708,541 consists of current tax expense of TL 395,096 and deferred tax income of TL 313,445.

10. Information on Net operating profit/loss after taxes including net profit/loss from continuing and discontinued operations:

The Group's net profit generated from its continuing operations amounts to TL 2,389,368.

11. Explanation on Net Period Profit / Loss:

a. Income and expense resulting from regular banking activities: No further explanation on operating results is needed for better understanding of the Group's performance in the period 1 January 2011 - 31 December 2011.

b. Any changes in estimations that might have a material effect on current and subsequent period results: No disclosure is required.

c. The "Other" item under "Fees and Commissions Received" in the income statement comprises fees and commissions received from banking operations, mainly credit card operations and capital market operations.

d. Other items do not exceed 10% of the total amount of the income statement.

e. Net Profit / Loss of minority shares:

	Current Period	Prior Period
Net Profit / Loss of Minority Shares	117,829	292,538

V. EXPLANATIONS AND NOTES ON THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 1,838,830 and the balance of extraordinary reserves is TL 6,363,264.

In the current period, the change in other reserves item is a result of the conversion profits of foreign branches and financial institutions.

The details of revaluation surplus account of securities are shared in the Note no. V-II-12-g. TL 66,746 of this amount is the deferred tax effect on available for sale securities (31 December 2010: TL -51,962).

VI. EXPLANATIONS AND NOTES ON THE CONSOLIDATED STATEMENT OF CASH-FLOWS

The operating profit of TL 3,342,190 before the changes in operating assets and liabilities consists of interests received at TL 10,711,823 predominantly from loans and securities, and TL 6,377,928 of interest paid predominantly on deposits, money market transactions and funds borrowed by the Bank. An important part of other revenues, TL 3,131,354, consists of premium collections of insurance companies. Other operating expenses of insurance companies composes the major part of the items that results in fund outflow, TL 3,012,299 and fees and commissions expense, advertisement and rent expenses are the other expenses of this type.

The effect of changes in foreign exchange rates on cash and cash equivalents is approximately TL 528,431 as of 31 December 2011 (31 December 2010: TL -167,736).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, money market operations as well as demand deposits and time deposits up to 3 months are defined as cash and cash equivalents.

Cash and cash equivalents at beginning of period:

	31.12.2010	31.12.2009
Cash	5,663,780	6,979,667
Cash in TL and Foreign Currency	932,823	786,502
Central Bank of Turkey and Other	4,730,957	6,193,165
Cash Equivalents	5,828,033	8,022,885
Receivables from Money Market Operations	10,193	
Banks' Demand Deposits and Time Deposits Up to 3 Months	5,817,840	8,022,885
Total Cash and Cash Equivalents	**11,491,813**	**15,002,552**

The total amount resulting from the transactions made in the previous period, shows the total cash and cash equivalents as of the beginning of the current period.

Cash and Cash equivalents as of end of the period:

	31.12.2011	31.12.2010
Cash	6,957,355	5,663,780
Cash in TL and Foreign Currency	1,149,355	932,823
Central Bank of Turkey and Other	5,808,000	4,730,957
Cash Equivalents	4,530,573	5,828,033
Receivables from Money Market Operations	171,596	10,193
Banks' Demand Deposits and Time Deposits Up to 3 Months	4,358,977	5,817,840
Total Cash and Cash Equivalents	**11,487,928**	**11,491,813**

VII. EXPLANATIONS AND FOOTNOTES ON THE GROUP'S RISK GROUP

1. Information on the volume of transactions relating to the Group's risk group, incomplete loan and deposit transactions and period's profit and loss:

a. Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	90,292	1,624,072		19	369,989	109,856
Balance at the end of the period	62,291	2,309,017	2	19	639,896	149,171
Interest and commission income received	3,763	469			35,436	1,047

Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	48,578	1,498,801		10	658,037	102,675
Balance at the end of the period	90,292	1,624,072		19	369,989	109,856
Interest and commission income received	4,333	229			20,638	951

b. Information on deposits held by the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	250,067	349,909	840,520	237,295	1,197,039	898,213
Balance at the end of the period	399,014	250,067	549,679	840,520	1,184,469	1,197,039
Interest expense on deposits	11,230	9,523	63,241	37,588	51,106	32,284

c. Information on forward and option and other similar agreements made with the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss						
Beginning of the period						
End of the period					188,145	
Total Profit/ Loss	187				2,177	
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/ Loss						

2. In connection with the Group's risk group:

a. The relationship of the Group with corporations in its risk group and under its control regardless of any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b. The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 0.71%, while the ratio to the overall assets is 0.38%; the ratio of deposits of the risk group corporations to the overall deposits is 2.16%, while the ratio to overall liabilities is 1.16%. The same pricing policy with third parties is used for the financial services provided to companies in the Parent Bank's risk group.

c. Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

Acquisition of properties is generally made through İş Finansal Kiralama A.Ş., one of the Group companies. The Parent Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş. Of the 38 mutual funds, which were founded by the Parent Bank, 26 of them are managed by İş Portföy Yönetimi A.Ş. and 12 of them are managed by İş Yatırım Menkul Değerler A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

3. Total salaries and similar benefits paid to the key management personnel

Benefits the Parent Bank provided to key management personnel during the current period amount to TL 14,692 (31 December 2010: TL 13,740).

VIII. EXPLANATIONS ON THE GROUP'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND REPRESENTATIVE OFFICES

The Parent Bank – Türkiye İş Bankası A.Ş.

	Number	Employees			
Domestic Branches(*)	1,184	24,667			
			Country of Incorporation		
Foreign Representative Offices	1	1	China		
	1	1	Egypt		
				Total Assets	Legal Capital
Foreign Branches	1	24	England	6,016,844	291
	14	176	TRNC	893,104	80,000
	1	10	Iraq	29,345	13,327
Off-Shore Branches	1	8	Bahrain	18,735,932	-

(*)The Branches located in Free Trade Zones in Turkey are included among domestic branches.

İşbank GmbH

	Number	Employees			
Domestic Branches(*)	12	174			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	Legal Capital
Foreign Branches	1	9	The Netherlands	894,057	
	1	9	France	76,734	
	1	8	Switzerland	28,241	
	1	9	Bulgaria	1,574	
Off-Shore Branches					

(*) Germany is meant by the term "domestic".

Türkiye Sınai Kalkınma Bankası A.Ş.

	Number	Employees			
Domestic Branches	2	348			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	Legal Capital
Foreign Branches	1	2	Bahrain	98,829	
Off-Shore Branches					

Milli Reasürans T.A.Ş.

	Number	Employees			
Domestic Branches	1	207			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	**Legal Capital**
Foreign Branches					
Off-Shore Branches	1	11	Singapore	70,917	28,333

CJSC İşbank

	Number	Employees			
Domestic Branches (*)	6	335			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	**Legal Capital**
Foreign Branches					
Off-Shore Branches					

(*) The branches of the company, which is headquartered in Moscow, in Russia are shown as domestic branches.

Number of employees of consolidated companies that does not have agencies and branches abroad:

	Employees
Anadolu Anonim Türk Sigorta Şirketi	886
Anadolu Hayat Emeklilik A.Ş.	382
Camiş Menkul Değerler A.Ş.	59
Efes Varlık Yönetimi A.Ş.	33
İş Investment Gulf Ltd. (1)	2
İş Factoring Finansman Hizmetleri A.Ş.	36
İş Finansal Kiralama A.Ş.	107
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	47
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	13
İş Portföy Yönetimi A.Ş.	50
İş Yatırım Menkul Değerler A.Ş.	409
İş Yatırım Ortaklığı A.Ş.	5
Maxis Securities Ltd. (2)	20
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	11
TSKB Yatırım Ortaklığı A.Ş.	3
Yatırım Finansman Menkul Değerler A.Ş.	63

(1) The company, which is headquartered in Dubai, does not have any branch or representative office beside its head office.
(2) The company, which is headquartered in London, does not have any branch or representative office beside its head office.

IX. Issues after the Balance Sheet Date

1. Within the framework of the resolution made by İsbank Board of Directors on 30 November 2011 and 23 December 2011 regarding the issuance of borrowing instrument, the issue of bank bills with a nominal value of TL 1,000,000 and with a maturity of 175 days was realized in January 2012. The interest rate for the related bills with the redemption date 18 July 2012 was at 11.14% (annual simple interest).

2. On 1 February 2012, the Bank's Board of Directors made a resolution to raise the registered capital ceiling of İsbank to TL 10,000,000 from TL 7,000,000 and to amend the articles 5, 18, 19, 49, 58, 62 and provisional article 17 of İsbank's Articles of Incorporation and on the same date it was publicly disclosed.

3. On 13 February 2012, the Bank's Board of Directors decided to increase the paid-in capital of Closed Joint Stock Company İsbank, a subsidiary of İsbank, from 523 million Rubles to 1,723 million Rubles by 1,200 million Rubles (approximately USD 40.2 million) in cash and to exercise İsbank's preferential rights amounting to 1,200 million Rubles due to the related capital increase and on the same date it was publicly disclosed.

4. In the Board Meeting of Türkiye Sınai ve Kalkınma Bankası A.Ş. on 25 January 2012, it was decided to close the Bank's Bahrain branch.

PART SIX: OTHER EXPLANATIONS

I. The Group's Credit Ratings and Related Explanations:

Türkiye İş Bankası A.Ş.

	Rating	Outlook (*)	Explanation
MOODY'S			
Bank Financial Strength	C-	Stable	Indicates that the Bank's stand-alone financial strength is adequate.
Long-term Foreign Currency Deposit	Ba3	Positive	Same as the rating for Turkey.
Long-term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-term Foreign Currency Deposit	NP	-	Same as the rating for Turkey.
Short-term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is good. It is one notch above the country rating.
Long-term Local Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is good. It is one notch above the country rating.
Short-term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-term Rating	AAA (tur)	Stable	Shows highest credit quality (national).
Viability Rating	bbb-	-	Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Support Rating	3	-	There is a moderate probability of support.
STANDARD & POOR'S			
Long-term Counterparty Credit Rating	BB	Positive	Same as the FC country rating given for Turkey.
Long-term Certificate of Deposit	BB	-	Same as the FC country rating given for Turkey.
Short-term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its financial commitment on the obligation.
Short-term Certificate of Deposit	B	-	Indicates that it has the capacity to meet its financial commitment on its obligations.
Long-term National Scale Rating	trAA	-	Indicates that its capacity to meet its financial commitments on the obligation are strong.
Short-term National Scale Rating	trA-1	-	It is the highest rating in this category and indicates that the Bank's capacity to pay its short-term debt is higher than the other institutions in the country.

The dates below given are on which the Parent Bank's credit ratings/outlook was last updated:

Moody's: 7 October 2010, Fitch Ratings: 28 November 2011, Standard & Poor's: 22 February 2010

(*) Outlook:

"Stable" indicates that the current rating will not be changed in the short term, "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

Türkiye Sınai Kalkınma Bankası A.Ş.

	Rating	Outlook
MOODY'S		
Bank Financial Strength	D+	Stable
Long-term Foreign Currency Deposit	Ba1	Positive
Short-term Foreign Currency Deposit	NP	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BB+	Stable
Long-term Local Currency Issuer Default Rating	BB+	Stable
Short-term Foreign Currency Issuer Default Rating	B	-
Short-term Local Currency Issuer Default Rating	B	-
Individual Rating (*)	C/D	-
Support Rating	3	-

The dates below given are on which the TSKB's credit ratings were last updated:

Moody's: 17 May 2011, Fitch Ratings: 28 November 2011

(*) On 25 January 2012, Fitch Ratings withdrew its category of "Individual Rating" given to financial institutions.

İş Finansal Kiralama A.Ş.

	Rating	Outlook
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable
Long-term Local Currency Issuer Default Rating	BBB-	Stable
Short-term Foreign Currency Issuer Default Rating	F3	-
Short-term Local Currency Issuer Default Rating	F3	-
National Long-term Rating	AAA (tur)	Stable
Support Rating	2	-

The date below given is on which the credit ratings of İş Finansal Kiralama A.Ş. were last updated:

Fitch Ratings: 1 December 2011

PART SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT:

The Parent Bank's consolidated financial statements and footnotes to be disclosed to public as of 31 December 2011 are audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and except for the effect on the consolidated financial statements of the described in the fourth paragraph of the auditing report dated 14 February 2012, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2011 and the result of its operations.

II. EXPLANATIONS AND FOOTNOTES OF THE INDEPENDENT AUDITORS

There are no significant issues or necessary disclosures or notes in relation to the Group's operations other than those mentioned above.

AUDITED BRSA FINANCIAL STATEMENTS OF THE BANK FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012 (INCLUDING COMPARATIVE 2011 NUMBERS)

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)

Türkiye İş Bankası Anonim Şirketi

Unconsolidated Financial Statements

As of and For Year Ended 31 December 2012

With Independent Auditors' Report Thereon

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

14 February 2013

This report includes "Independent Auditors' Report" comprising 1 page and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 92 pages.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See Note 1 in Part Three)

To the Board of Directors of Türkiye İş Bankası AŞ;

We have audited the unconsolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") as of 31 December 2012 and the unconsolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the unconsolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communiqués and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our audit opinion.

The accompanying unconsolidated financial statements as of 31 December 2012 include a general provision amounting to TL 1,000,000 thousands, TL 950,000 thousands of which had been recognized as expense in the prior periods and TL 50,000 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the unconsolidated financial statements, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2012 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 of the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency..

İstanbul
14 February 2013

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat ALSAN
Partner, Certified Public Accountant

Additional paragraph for convenience translation to English:

As explained in Note I in Part Three, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ
THE UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2012

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul
Telephone: 0212 316 00 00
Fax: 0212 316 09 00
Web site: www.isbank.com.tr
E-mail: 4440202@isbank.com.tr

The unconsolidated financial report as of and for the year ended 31 December 2012 prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, comprises the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
- INFORMATION ON THE FINANCIAL POSITION OF THE BANK
- DISCLOSURES AND FOOTNOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and footnotes in this report are prepared in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial report is presented in thousands of Turkish Lira (TL), and has been subjected to independent audit and presented as the attached.

Prof. Dr. Savaş Taşkent Member of the Board and the Audit Committee	**Füsun Tümsavaş** Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	**H. Ersin Özince** Chairman of the Board of Directors
Ali Tolga Ünal Head of Financial Management Division	**Mahmut Magemizoğlu** Deputy Chief Executive In Charge of Financial Reporting	**Adnan Bali** Chief Executive Officer

The authorized contact person for questions on this financial report:

Name – Surname / Title: Süleyman H. Özcan / Head of Investor Relations Division
Phone No : +90 212 316 16 02
Fax No : +90 212 316 08 40
E-mail : Suleyman.Ozcan@isbank.com.tr
investorrelations@isbank.com.tr
Website : www.isbank.com.tr

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION ONE: GENERAL INFORMATION ABOUT THE BANK

I. Explanations on the Establishment Date and Initial Status of the Bank, History Including the Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank") was established on 26 August 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. There is no change in the Bank's status since its establishment.

II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Bank, any Changes in the Period, and Information on the Bank's Risk Group

According to the Central Registry Agency data as of 31 December 2012, 40.73% of the Bank's shares are owned by T. İş Bankası A.Ş. Pension Fund, 28.09% are owned by the Republican People's Party (Atatürk's shares) and 31.18% are on free float (31.12.2011 Central Registry Agency's data: Fund 40.43%, Republican People's Party 28.09%, Free float 31.48%).

III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank

Board of Directors and Auditors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Füsun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee, TRNC Internal Systems Committee and the Risk Committee, Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee, TRNC Internal Systems Committee and the Remuneration Committee
Hasan Koçhan	Director, Member of the Credit Committee
Aynur Dülger Ataklı	Director, Member of the Social Responsibility Committee
M. Mete Başol	Director, Alternate Member of the Credit Committee
Mustafa Kıcalıoğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility Committee, Alternate Member of the Credit Committee
Hüseyin Yalçın	Director
Murat Vulkan	Director
A. Taciser Bayer	Auditor
Kemal Ağanoğlu	Auditor

Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Administrative Position
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Özcan Türkakın (1)	Equity Participations, Corporate Communications Management, Member of the Social Responsibility Committee and the Risk Committee
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Suat İnce	Corporate and Commercial Banking Marketing, Sales and Product Management, Free Zone Branches
Serdar Gençer	Banking Operations and Payment Operations, Retail Loan and Card Operations, Foreign Trade and Commercial Loan Operations, Internal Operations Management
Hakan Aran	Alternative Distribution Channels Operations, Information Technology Management
Aydın Süha Önder	Legal Counsellorship, Credit Information and Financial Analysis, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery Management
Levent Korba	Support Services and Purchasing, Construction and Real Estate Management, Branch Network Development
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans and Consumer Loans Underwriting, Credit Risk Management and Portfolio Monitoring, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management, Private Banking Marketing and Sale Management, Member of the Social Responsibility Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, Strategy and Corporate Performance Management and Talent Management
A. Erdal Aral (1)	International Banking, Branches Abroad and Foreign Representative Offices, Capital Markets Management
Senar Akkuş	Economic Research, Treasury Management, Member of the Risk Committee

(1) As of 30 January 2013 Mr. Özcan Türkakın and Mr. A. Erdal Aral resigned from the positions at Bank and Mr. İlhami Koç and Mr. Yılmaz Ertürk are appointed as deputy chief executives.

The Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance.

IV. Information on the Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,832,622	40.73%	1,832,622	
Cumhuriyet Halk Partisi – Republican People's Party - (Atatürk's Shares)	1,264,142	28.09%	1,264,142	

Source: Central Registry Agency

V. Summary Information on the Bank's Activities and Services

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector c orporations as may be required.

VI. Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholders' Equity Between the Bank and its Subsidiaries or the Reimbursement of Liabilities

None.

VII. Written Policies on Assessment of Ensuring Compliance on Market Discipline, Disclosure Obligations, Frequency and Accuracy of the Related Disclosures

The Bank has written policies on assessment of ensuring compliance on market discipline, disclosure obligations, frequency and accuracy of related disclosures. The mentioned policies which is agreed by Board of Directors' minutes decision numbered 35386 and dated on 29 April 2009, can be obtained from the Bank's web site.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION TWO: UNCONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET - (STATEMENT OF FINANCIAL POSITION) - ASSETS

			THOUSANDS TL					
			CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
		Footnotes	TL	FC	Total	TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	**V-I-a**	**2,593,915**	**13,361,931**	**15,955,846**	**5,064,102**	**8,672,803**	**13,736,905**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**	**V-I-b-c**	**898,143**	**475,193**	**1,373,336**	**678,902**	**897,109**	**1,576,011**
2.1	Financial Assets Held for Trading		898,143	475,193	1,373,336	678,902	897,109	1,576,011
2.1.1	Government Debt Securities		748,739	4,978	753,717	649,674	8,809	658,483
2.1.2	Equity Securities		56	-	56	54	-	54
2.1.3	Derivative Financial Assets Held for Trading		148,448	470,215	618,663	28,234	888,300	916,534
2.1.4	Other Marketable Securities		900	-	900	940	-	940
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	**BANKS**	**V-I-d**	**104,137**	**1,330,709**	**1,434,846**	**240,095**	**2,014,241**	**2,254,336**
IV.	**MONEY MARKET PLACEMENTS**		-	-	-	-	**43,141**	**43,141**
4.1	Interbank Money Market Placements		-	-	-	-	43,141	43,141
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	**FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**	**V-I-e-f**	**20,009,079**	**6,337,824**	**26,346,903**	**18,349,691**	**10,303,157**	**28,652,848**
5.1	Equity Securities		14,832	252	15,084	13,622	-	13,622
5.2	Government Debt Securities		19,974,632	5,029,824	25,004,456	18,336,069	7,705,475	26,041,544
5.3	Other Marketable Securities		19,615	1,307,748	1,327,363	-	2,597,682	2,597,682
VI.	**LOANS AND RECEIVABLES**	**V-I-g**	**71,841,167**	**35,300,987**	**107,142,154**	**58,803,727**	**32,816,911**	**91,620,638**
6.1	Loans and Receivables		71,414,783	35,300,987	106,715,770	**58,803,727**	**32,816,911**	**91,620,638**
6.1.1	Loans to the Bank's Risk Group		863,444	535,632	1,399,076	413,754	1,017,738	1,431,492
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		70,551,339	34,765,355	105,316,694	58,389,973	31,799,173	90,189,146
6.2	Non-Performing Loans		1,993,124	32,143	2,025,267	1,932,549	51,371	1,983,920
6.3	Specific Provisions (-)		1,566,740	32,143	1,598,883	1,932,549	51,371	1,983,920
VII.	**FACTORING RECEIVABLES**		-	-	-	-	-	-
VIII.	**HELD TO MATURITY INVESTMENTS (Net)**	**V-I-h**	**10,944,717**	**8,441**	**10,953,158**	**13,451,894**	**13,808**	**13,465,702**
8.1	Government Debt Securities		10,937,646	-	10,937,646	13,444,975	-	13,444,975
8.2	Other Marketable Securities		7,071	8,441	15,512	6,919	13,808	20,727
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**V-I-i**	**743,915**	**-**	**743,915**	**743,915**	**-**	**743,915**
9.1	Associates Accounted for Using the Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		743,915	-	743,915	**743,915**	**-**	**743,915**
9.2.1	Financial Investments		85,295	-	85,295	85,295	-	85,295
9.2.2	Non-Financial Investments		658,620	-	658,620	658,620	-	658,620
X.	**INVESTMENTS IN SUBSIDIARIES (Net)**	**V-I-j**	**6,594,184**	**361,855**	**6,956,039**	**5,327,210**	**203,892**	**5,531,102**
10.1	Unconsolidated Financial Subsidiaries		3,058,279	361,855	3,420,134	2,165,571	203,892	2,369,463
10.2	Unconsolidated Non-Financial Subsidiaries		3,535,905	-	3,535,905	3,161,639	-	3,161,639
XI.	**JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)**	**V-I-k**	-	-	-	-	-	-
11.1	Jointly Controlled Entities Accounted for Using the Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Jointly Controlled Entities		-	-	-	-	-	-
11.2.1	Jointly Controlled Financial Entities		-	-	-	-	-	-
11.2.2	Jointly Controlled Non-Financial Entities		-	-	-	-	-	-
XII.	**LEASE RECEIVABLES**	**V-I-l**	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	**DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT**	**V-I-m**	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XIV.	**TANGIBLE ASSETS (Net)**	**V-I-n**	**1,816,398**	**4,510**	**1,820,908**	**1,856,865**	**2,969**	**1,859,834**
XV.	**INTANGIBLE ASSETS (Net)**	**V-I-o**	**104,907**	**-**	**104,907**	**63,677**	**-**	**63,677**
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		104,907	-	104,907	63,677	-	63,677
XVI.	**INVESTMENT PROPERTY (Net)**	**V-I-p**	-	-	-	-	-	-
XVII.	**TAX ASSETS**	**V-I-r**	**594,491**	**-**	**594,491**	**488,613**	**-**	**488,613**
17.1	Current Tax Asset		-	-	-	-	-	-
17.2	Deferred Tax Asset		594,491	-	594,491	488,613	-	488,613
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**V-I-s**	**72,970**	**-**	**72,970**	**59,803**	**-**	**59,803**
18.1	Held for Sale		72,970	-	72,970	59,803	-	59,803
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**	**V-I-t**	**1,353,642**	**591,335**	**1,944,977**	**878,741**	**693,238**	**1,571,979**
	TOTAL ASSETS		**117,671,665**	**57,772,785**	**175,444,450**	**106,007,235**	**55,661,269**	**161,668,504**

II. BALANCE SHEET – (STATEMENT OF FINANCIAL POSITION) – LIABILITIES AND EQUITY

			THOUSANDS TL					
			CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
		Footnotes	TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**V-II-a**	**64,989,794**	**40,393,640**	**105,383,434**	**60,332,494**	**37,980,640**	**98,313,134**
1.1	Deposits from the Bank's Risk Group		2,112,558	1,750,760	3,863,318	1,683,222	2,022,460	3,705,682
1.2	Other		62,877,236	38,642,880	101,520,116	58,649,272	35,958,180	94,607,452
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**V-II-b**	**390,718**	**346,566**	**737,284**	**457,587**	**400,295**	**857,882**
III.	**FUNDS BORROWED**	**V-II-c**	**888,308**	**9,859,246**	**10,747,554**	**210,689**	**10,937,519**	**11,148,208**
IV.	**MONEY MARKET FUNDS**		**10,399,226**	**3,119,873**	**13,519,099**	**13,591,180**	**5,869,890**	**19,461,070**
4.1	Interbank Money Market Funds		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Funds		-	-	-	-	-	-
4.3	Funds Provided Under Repurchase Agreements		10,399,226	3,119,873	13,519,099	13,591,180	5,869,890	19,461,070
V.	**MARKETABLE SECURITIES ISSUED (Net)**	**V-II-d**	**4,566,127**	**1,797,989**	**6,364,116**	**2,828,447**	**952,974**	**3,781,421**
5.1	Bills		3,423,236	-	3,423,236	1,809,005	-	1,809,005
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		1,142,891	1,797,989	2,940,880	1,019,442	952,974	1,972,416
VI.	**FUNDS**		-	-	-	-	-	-
6.1	Funds Borrowed		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	**MISCELLANEOUS PAYABLES**		**3,416,228**	**258,031**	**3,674,259**	**2,897,232**	**443,718**	**3,340,950**
VIII.	**OTHER LIABILITIES**	**V-II-f**	**1,756,651**	**2,816,158**	**4,572,809**	**810,269**	**1,452,412**	**2,262,681**
IX.	**FACTORING PAYABLES**		-	-	-	-	-	-
X.	**LEASE PAYABLES (Net)**	**V-II-g**	-	-	-	-	**5**	**5**
10.1	Finance Lease Payables		-	-	-	-	12	12
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	-	-	-	7	7
XI.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT**	**V-II-h**	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XII.	**PROVISIONS**	**V-II-i**	**5,363,669**	**16,436**	**5,380,105**	**4,179,358**	**25,568**	**4,204,926**
12.1	General Loan Loss Provision		1,613,677	-	1,613,677	1,245,245	-	1,245,245
12.2	Provision for Restructuring		-	-	-	-	-	-
12.3	Reserves for Employee Benefits		362,521	-	362,521	256,463	-	256,463
12.4	Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5	Other Provisions		3,387,471	16,436	3,403,907	2,677,650	25,568	2,703,218
XIII.	**TAX LIABILITY**	**V-II-j**	**541,966**	**328**	**542,294**	**376,663**	**200**	**376,863**
13.1	Current Tax Liability		541,966	328	542,294	376,663	200	376,863
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	**LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**	**V-II-k**	-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	**SUBORDINATED DEBT**	**V-II-l**	-	**1,804,451**	**1,804,451**	-	-	-
XVI.	**SHAREHOLDERS' EQUITY**	**V-II-m**	**22,278,554**	**440,491**	**22,719,045**	**17,783,863**	**137,501**	**17,921,364**
16.1	Paid-in Capital		4,500,000	-	4,500,000	4,500,000	-	4,500,000
16.2	Capital Reserves		4,910,420	440,491	5,350,911	2,989,279	137,501	3,126,780
16.2.1	Share premium		3,694	-	3,694	3,694	-	3,694
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Value Increase Fund		3,264,096	440,491	3,704,587	1,342,955	137,501	1,480,456
16.2.4	Tangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		26,692	-	26,692	26,692	-	26,692
16.2.8	Hedging Reserves (Effective Portion)		-	-	-	-	-	-
16.2.9	Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		1,615,938	-	1,615,938	1,615,938	-	1,615,938
16.3	Profit Reserves		9,557,827	-	9,557,827	7,627,097	-	7,627,097
16.3.1	Legal Reserves		1,816,495	-	1,816,495	1,646,564	-	1,646,564
16.3.2	Statutory Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		7,754,686	-	7,754,686	5,890,766	-	5,890,766
16.3.4	Other Profit Reserves		(13,354)	-	(13,354)	89,767	-	89,767
16.4	Profit or Loss		3,310,307	-	3,310,307	**2,667,487**	**-**	**2,667,487**
16.4.1	Prior Years' Profit/Loss		-	-	-	-	-	-
16.4.2	Current Period Profit/Loss		3,310,307	-	3,310,307	2,667,487	-	2,667,487
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**114,591,241**	**60,853,209**	**175,444,450**	**103,467,782**	**58,200,722**	**161,668,504**

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

III. STATEMENT OF OFF-BALANCE SHEET ITEMS

		THOUSANDS TL					
		CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
	Footnotes	TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	**V-III**	**167,055,242**	**66,503,571**	**233,558,813**	**142,469,635**	**72,186,093**	**214,655,728**
I. GUARANTEES AND SURETYSHIPS		**12,507,104**	**16,114,508**	**28,621,612**	**9,940,271**	**15,909,734**	**25,850,005**
1.1.Letters of Guarantee		12,465,658	9,785,736	22,251,394	9,916,048	9,265,286	19,181,334
1.1.1.Guarantees Subject to State Tender Law		788,915	2,923,182	3,712,097	559,333	2,315,888	2,875,221
1.1.2.Guarantees Given for Foreign Trade Operations		1,147,044	2,529,524	3,676,568	935,015	1,817,872	2,752,887
1.1.3.Other Letters of Guarantee		10,529,699	4,333,030	14,862,729	8,421,700	5,131,526	13,553,226
1.2.Bank Acceptances		19,739	1,278,511	1,298,250	3,628	869,363	872,991
1.2.1.Import Letters of Acceptance		-	113,096	113,096	-	120,310	120,310
1.2.2.Other Bank Acceptances		19,739	1,165,415	1,185,154	3,628	749,053	752,681
1.3.Letters of Credit		-	4,585,247	4,585,247	-	5,170,468	5,170,468
1.3.1.Documentary Letters of Credit		-	3,298,568	3,298,568	-	3,723,602	3,723,602
1.3.2.Other Letters of Credit		-	1,286,679	1,286,679	-	1,446,866	1,446,866
1.4.Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.Endorsements		-	-	-	-	-	-
1.5.1.Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.Other Endorsements		-	-	-	-	-	-
1.6.Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7.Factoring Guarantees		-	-	-	-	-	-
1.8.Other Guarantees		21,707	465,014	486,721	20,595	604,617	625,212
1.9.Other Suretyships		-	-	-	-	-	-
II. COMMITMENTS		**136,067,326**	**5,417,667**	**141,484,993**	**115,399,439**	**8,951,920**	**124,351,359**
2.1.Irrevocable Commitments		29,404,129	5,417,667	34,821,796	24,623,465	8,742,236	33,365,701
2.1.1.Forward Asset Purchase Commitments		96,311	788,786	885,097	225,532	927,438	1,152,970
2.1.2.Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3 Capital Commitment for Associates and Subsidiaries		-	-	-	22,560	-	22,560
2.1.4.Loan Granting Commitments		5,838,616	914,126	6,752,742	5,075,187	4,392,620	9,467,807
2.1.5.Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6.Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.Commitments for Cheque Payments		6,124,562	-	6,124,562	4,914,758	-	4,914,758
2.1.8.Tax and Fund Liabilities from Export Commitments		13,899	-	13,899	10,283	-	10,283
2.1.9.Commitments for Credit Card Expenditure Limits		15,742,457	-	15,742,457	13,172,835	-	13,172,835
2.1.10. Commitments for Credit Cards and Banking Services Promotions		76,548	-	76,548	60,325	-	60,325
2.1.11. Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13.Other Irrevocable Commitments		1,511,736	3,714,755	5,226,491	1,141,985	3,422,178	4,564,163
2.2.Revocable Commitments		106,663,197	-	106,663,197	90,775,974	209,684	90,985,658
2.2.1.Revocable Loan Granting Commitments		106,663,197	-	106,663,197	90,775,974	209,684	90,985,658
2.2.2.Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		**18,480,812**	**44,971,396**	**63,452,208**	**17,129,925**	**47,324,439**	**64,454,364**
3.1. Derivative Financial Instruments held for risk management		-	-	-	-	-	-
3.1.1. Fair Value Hedges		-	-	-	-	-	-
3.1.2. Cash Flow Hedges		-	-	-	-	-	-
3.1.3 Net Foreign Investment Hedges		-	-	-	-	-	-
3.2. Derivative Financial Instruments Held for Trading		18,480,812	44,971,396	63,452,208	17,129,925	47,324,439	64,454,364
3.2.1.Forward Foreign Currency Buy/Sell Transactions		4,587,624	5,472,881	10,060,505	5,151,775	10,943,954	16,095,729
3.2.1.1. Forward Foreign Currency Buy Transactions		3,306,856	1,737,497	5,044,353	4,245,128	3,804,573	8,049,701
3.2.1.2. Forward Foreign Currency Sell Transactions		1,280,768	3,735,384	5,016,152	906,647	7,139,381	8,046,028
3.2.2. Currency and Interest Rate Swaps		11,365,854	31,614,867	42,980,721	10,810,872	29,472,744	40,283,616
3.2.2.1. Currency Swap Buy Transactions		1,123,113	7,811,818	8,934,931	756,791	7,465,220	8,222,011
3.2.2.2. Currency Swap Sell Transactions		3,054,741	5,190,493	8,245,234	3,734,081	4,596,002	8,330,083
3.2.2.3. Interest Rate Swap Buy Transactions		3,594,000	9,306,278	12,900,278	3,160,000	8,705,761	11,865,761
3.2.2.4. Interest Rate Swap Sell Transactions		3,594,000	9,306,278	12,900,278	3,160,000	8,705,761	11,865,761
3.2.3. Currency, Interest Rate and Security Options		2,525,134	7,463,218	9,988,352	1,167,278	6,140,040	7,307,318
3.2.3.1. Currency Call Options		1,415,580	2,298,340	3,713,920	583,639	793,540	1,377,179
3.2.3.2. Currency Put Options		989,554	2,708,886	3,698,440	583,639	793,540	1,377,179
3.2.3.3. Interest Rate Call Options		60,000	1,227,996	1,287,996	-	2,276,480	2,276,480
3.2.3.4. Interest Rate Put Options		60,000	1,227,996	1,287,996	-	2,276,480	2,276,480
3.2.3.5.Securities Call Options		-	-	-	-	-	-
3.2.3.6. Securities Put Options		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1.Currency Buy Futures		-	-	-	-	-	-
3.2.4.2. Currency Sell Futures		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1.Interest Rate Buy Futures		-	-	-	-	-	-
3.2.5.2.Interest Rate Sell Futures		-	-	-	-	-	-
3.2.6.Other		2,200	420,430	422,630	-	767,701	767,701

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III. STATEMENT OF OFF-BALANCE SHEET ITEMS (continued)

		THOUSANDS TL					
		CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
	Footnotes	TL	FC	Total	TL	FC	Total
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	**V-III**	**160,107,876**	**44,004,570**	**204,112,446**	**136,572,691**	**38,312,322**	**174,885,013**
IV. ITEMS HELD IN CUSTODY		**45,042,294**	**7,648,546**	**52,690,840**	**43,979,161**	**7,494,506**	**51,473,667**
4.1.Customers' securities held		-	-	-	-	-	-
4.2.Investment securities held in custody		30,488,698	44,824	30,533,522	30,375,664	40,325	30,415,989
4.3.Cheques received for collection		11,296,787	2,367,371	13,664,158	10,744,157	2,038,360	12,782,517
4.4.Commercial notes received for collection		2,054,097	3,393,443	5,447,540	1,667,021	2,889,767	4,556,788
4.5.Other assets received for collection		4,352	32,246	36,598	3,481	35,624	39,105
4.6.Assets received for public offering		2,541	-	2,541	2,541	-	2,541
4.7.Other items under custody		1,195,195	1,810,597	3,005,792	1,185,673	2,490,430	3,676,103
4.8.Custodians		624	65	689	624	-	624
V. PLEDGED ITEMS		**115,065,582**	**36,356,024**	**151,421,606**	**92,593,530**	**30,817,816**	**123,411,346**
5.1.Marketable securities		1,866,264	-	1,866,264	1,898,746	-	1,898,746
5.2.Guarantee notes		3,810,275	5,608,008	9,418,283	3,631,238	5,374,958	9,006,196
5.3.Commodity		29,745,612	2,176,075	31,921,687	23,095,518	1,271,742	24,367,260
5.4.Warranty		-	-	-	-	-	-
5.5.Real Estates		77,086,299	28,325,120	105,411,419	62,456,531	23,976,196	86,432,727
5.6.Other pledged items		2,557,132	199,614	2,756,746	1,511,497	137,099	1,648,596
5.7.Pledged items-depository		-	47,207	47,207	-	57,821	57,821
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**327,163,118**	**110,508,141**	**437,671,259**	**279,042,326**	**110,498,415**	**389,540,741**

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(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IV. INCOME STATEMENT

		Footnotes	THOUSANDS TL CURRENT PERIOD (01/01-31/12/2012)	PRIOR PERIOD (01/01-31/12/2011)
I.	INTEREST INCOME	V-IV-a	13,390,415	10,898,384
1.1	Interest Income on Loans		9,685,519	7,133,625
1.2	Interest Income on Reserve Deposits		-	-
1.3	Interest Income on Banks		12,284	17,570
1.4	Interest Income on Money Market Placements		407	68
1.5	Interest Income on Marketable Securities Portfolio		3,650,118	3,721,515
1.5.1	Financial Assets Held for Trading		62,266	35,669
1.5.2	Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3	Financial Assets Available for Sale		2,064,650	1,973,494
1.5.4	Held to Maturity Investments		1,523,202	1,712,352
1.6	Finance Lease Income		-	-
1.7	Other Interest Income		42,087	25,606
II.	INTEREST EXPENSE	V-IV-b	7,462,498	6,336,584
2.1	Interest on Deposits		5,469,527	4,977,232
2.2	Interest on Funds Borrowed		259,778	229,383
2.3	Interest on Money Market Funds		1,221,163	883,289
2.4	Interest on Securities Issued		438,540	208,048
2.5	Other Interest Expense		73,490	38,632
III.	NET INTEREST INCOME / EXPENSE (I - II)		5,927,917	4,561,800
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSE		1,706,227	1,428,583
4.1	Fees and Commissions Received		1,918,597	1,594,367
4.1.1	Non-cash Loans		183,830	134,307
4.1.2	Other		1,734,767	1,460,060
4.2	Fees and Commissions Paid		212,370	165,784
4.2.1	Non-cash Loans		993	917
4.2.2	Other		211,377	164,867
V.	DIVIDEND INCOME	V-IV-c	417,703	555,702
VI.	TRADING INCOME / LOSS (NET)	V-IV-d	590,390	306,073
6.1	Gains/Losses on Securities Trading		617,560	115,987
6.2	Derivative Financial Transactions Gains/Losses		(483,135)	331,763
6.3	Foreign Exchange Gains/Losses		455,965	(141,677)
VII.	OTHER OPERATING INCOME	V-IV-e	1,172,144	1,311,114
VIII.	TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)		9,814,381	8,163,272
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-f	1,209,122	1,383,793
X.	OTHER OPERATING EXPENSES (-)	V-IV-g	4,484,306	3,481,199
XI.	NET OPERATING INCOME (VIII-IX-X)		4,120,953	3,298,280
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
XIV.	NET MONETARY POSITION GAIN/LOSS		-	-
XV.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+…+XIV)	V-IV-h	4,120,953	3,298,280
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	V-IV-i	810,646	630,793
16.1	Current Tax Provision		1,117,517	296,063
16.2	Deferred Tax Provision		(306,871)	334,730
XVII.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-j	3,310,307	2,667,487
XVIII.	INCOME ON DISCONTINUED OPERATIONS		-	-
18.1	Income on Assets Held for Sale		-	-
18.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
18.3	Other Income on Discontinued Operations		-	-
XIX.	EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
19.1	Expense on Assets Held for Sale		-	-
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
19.3	Other Expense on Discontinued Operations		-	-
XX.	PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PERIOD PROFIT/LOSS (XVII+XXII)	V-IV-k	3,310,307	2,667,487
	Earnings Per Share (in full TL)		0.029424363	0.023710521

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V. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

		THOUSANDS TL CURRENT PERIOD (31/12/2012)	PRIOR PERIOD (31/12/2011)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	1,427,594	(585,510)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	(103,121)	105,483
V.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)	-	-
VI.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)	-	-
VII.	THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES	-	-
VIII.	OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY ACCORDANCE WITH TAS	997,530	(557,253)
IX.	DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	(200,993)	108,005
X.	NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+…+IX)	2,121,010	(929,275)
XI.	PROFIT/LOSS FOR THE PERIOD	3,310,307	2,667,487
11.1	Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	(21,631)	69,050
11.2	The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement	-	-
11.3	The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement	-	-
11.4	Other	3,331,938	2,598,437
XII.	TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	5,431,317	1,738,212

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VI. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

PRIOR PERIOD (31/12/2011)	Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Shareholders' Equity
I. Beginning Balance	V-V	4,500,000	1,615,938	3,694		1,444,476		3,941,296	(15,716)		2,982,210	2,515,214		26,692			17,013,804
II. Corrections Made According to TAS 8																	
2.1.The Effect of Corrections of Errors																	
2.2.The Effect of Changes in Accounting Policies																	
III. Adjusted Beginning Balance (I+II)		4,500,000	1,615,938	3,694		1,444,476		3,941,296	(15,716)		2,982,210	2,515,214		26,692			17,013,804
Changes During the Period																	
IV. Increase/Decrease Due to Mergers																	
V. Marketable Securities Value Increase Fund												(1,034,758)					(1,034,758)
VI. Hedge Reserves (Effective Portion)																	
6.1. Cash Flow Hedges																	
6.2. Net Foreign Investment Hedges																	
VII. Revaluation Surplus on Tangible Assets																	
VIII. Revaluation Surplus on Intangible Assets																	
IX. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities(Joint Ventures)																	
X. Translation Differences									105,483								105,483
XI. The Effect of Disposal of Assets																	
XII. The Effect of Reclassification of Assets																	
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																	
XIV. Capital Increase																	
14.1.Cash																	
14.2.Internal Sources																	
XV. Share Issue																	
XVI. Share Cancellation Profits																	
XVII. Paid-in-Capital Inflation Adjustment																	
XVIII. Other																	
XIX. Net Profit / Loss for the Period										2,667,487							2,667,487
XX. Profit Distribution						202,088		1,949,470			(2,982,210)						(830,652)
20.1. Dividend Paid											(830,652)						(830,652)
20.2. Transfer to Reserves						202,088		1,949,470			(2,151,558)						
20.3. Other																	
Ending Balance (III+IV+V...+XVIII+XIX+XX)		4,500,000	1,615,938	3,694		1,646,564		5,890,766	89,767	2,667,487		1,480,456		26,692			17,921,364

VI. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

CURRENT PERIOD (31/12/2012)	Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Shareholders' Equity
Beginning Balance		4,500,000	1,615,938	3,694		1,646,564		5,890,766	89,767		2,667,487	1,480,456		26,692			17,921,364
Changes During the Period																	
II. Increase/Decrease Due to Mergers																	
III. Marketable Securities Value Increase Fund												2,224,131					2,224,131
IV. Hedge Reserves (Effective Portion)																	
4.1. Cash Flow Hedges																	
4.2. Net Foreign Investment Hedges																	
V. Revaluation Surplus on Tangible Assets																	
VI. Revaluation Surplus on Intangible Assets																	
VII. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities(Joint Ventures)																	
VIII. Translation Differences									(103,121)								(103,121)
IX. The Effect of Disposal of Assets																	
X. The Effect of Reclassification of Assets																	
XI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																	
XII. Capital Increase																	
12.1.Cash																	
12.2.Internal Sources																	
XIII. Share Issue																	
XIV. Share Cancellation Profits																	
XV. Paid-in-Capital Inflation Adjustment																	
XVI. Other																	
XVII. Net Profit / Loss for the Period										3,310,307							3,310,307
XVIII. Profit Distribution						169,931		1,863,920			(2,667,487)						(633,636)
18.1. Dividend Paid											(633,636)						(633,636)
18.2. Transfer to Reserves						169,931		1,863,920			(2,033,851)						
18.3. Other																	
Ending Balance (I+II+III...+XVI+XVII+XVIII)		4,500,000	1,615,938	3,694		1,816,495		7,754,686	(13,354)	3,310,307		3,704,587		26,692			22,719,045

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VII. STATEMENT OF CASH FLOWS

	Footnotes	THOUSANDS TL CURRENT PERIOD (01/01 - 31/12/2012)	PRIOR PERIOD (01/01 - 31/12/2011)
A. CASH FLOWS FROM BANKING OPERATIONS	V - VI		
1.1. Operating Profit Before Changes in Operating Assets and Liabilities		**9,351,352**	**3,227,392**
1.1.1.Interest Received		13,274,692	10,738,853
1.1.2.Interest Paid		(7,236,703)	(6,056,019)
1.1.3.Dividend Received		145,842	134,255
1.1.4.Fees and Commissions Received		1,918,597	1,594,367
1.1.5.Other Income		1,196,091	60,479
1.1.6.Collections from Previously Written Off Loans and Other Receivables		601,888	1,007,257
1.1.7.Cash Payments to Personnel and Service Suppliers		(3,042,824)	(2,912,187)
1.1.8.Taxes Paid		(1,060,136)	(403,585)
1.1.9. Other		3,553,905	(936,028)
1.2. Changes in Operating Assets and Liabilities		**(21,176,269)**	**(10,381,065)**
1.2.1.Net (Increase) Decrease in Financial Assets Held for Trading		(70,054)	(200,053)
1.2.2. Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		-	-
1.2.3.Net (Increase) Decrease in Due From Banks		(4,446,091)	(4,001,252)
1.2.4.Net (Increase) Decrease in Loans		(17,758,100)	(22,753,100)
1.2.5.Net (Increase) Decrease in Other Assets		(322,164)	(272,324)
1.2.6.Net Increase (Decrease) in Bank Deposits		736,265	(434,653)
1.2.7.Net Increase (Decrease) in Other Deposits		5,141,943	5,534,009
1.2.8.Net Increase (Decrease) in Funds Borrowed		(872,193)	1,426,692
1.2.9.Net Increase (Decrease) in Matured Payables		-	-
1.2.10.Net Increase (Decrease) in Other Liabilities		(3,585,875)	10,319,616
I. Net Cash Provided From Banking Operations		**(11,824,917)**	**(7,153,673)**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / Used in Investing Activities		**5,433,455**	**3,990,143**
2.1.Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(97,452)	(164,670)
2.2.Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
2.3.Tangible Asset Purchases		(201,501)	(250,144)
2.4.Tangible Asset Sales		254,173	223,536
2.5.Cash Paid for Purchase of Financial Assets Available for Sale		(13,490,340)	(15,446,766)
2.6.Cash Obtained from Sales of Financial Assets Available for Sale		16,704,991	19,226,639
2.7.Cash Paid for Purchase of Investment Securities Held to Maturity		(14,913)	(14,227)
2.8.Cash Obtained from Sales of Investment Securities Held to Maturity		2,388,275	493,100
2.9.Other		(109,778)	(77,325)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / Used in Financing Activities		**3,421,019**	**2,832,004**
3.1.Cash Obtained from Funds Borrowed and Securities Issued		10,047,521	5,566,073
3.2.Cash Used for Repayment of Funds Borrowed and Securities Issued		(5,992,854)	(1,900,000)
3.3.Equity Instruments			-
3.4.Dividends Paid		(633,636)	(830,652)
3.5.Payments for Finance Leases		(12)	(3,417)
3.6.Other			-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		**(116,937)**	**652,811**
V. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)		**(3,087,380)**	**321,285**
VI. Cash and Cash Equivalents at Beginning of the Period		**9,099,323**	**8,778,038**
VII. Cash and Cash Equivalents at End of the Period (V+VI)		**6,011,943**	**9,099,323**

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(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

VIII. STATEMENT OF PROFIT DISTRIBUTION TABLE

TÜRKİYE İŞ BANKASI A.Ş. STATEMENT OF PROFIT DISTRIBUTION TABLE	THOUSAND TL CURRENT PERIOD (31/12/2012)	PRIOR PERIOD (31/12/2011)
I.DISTRIBUTION OF CURRENT YEAR PROFIT [1]		
1.1. CURRENT PERIOD PROFIT	4,120,953	3,298,280
1.2.TAXES AND DUES PAYABLE (-)	810,646	630,793
1.2.1.Corporate Tax (Income Tax)	1,111,381	291,692
1.2.2.Income Tax Withholding	6,136	4,371
1.2.3.Other Taxes and Dues Payable [2]	(306,871)	334,730
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	**3,310,307**	**2,667,487**
1.3.PRIOR YEARS' LOSSES (-)	-	-
1.4.FIRST LEGAL RESERVES (-)	-	129,068
1.5. OTHER STATUTORY RESERVES (-)	-	1,818,976
B. NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5)]	**3,310,307**	**719,443**
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	-	270,000
1.6.1.To Owners of Ordinary Shares	-	269,998
1.6.2.To Owners of Preferred Shares	-	2
1.6.3.To Preferred Shares (Preemptive Rights)	-	-
1.6.4.To Profit Sharing Bonds	-	-
1.6.5.To Holders of Profit / Loss Share Certificates	-	-
1.7.DIVIDENDS TO PERSONNEL (-)	-	89,889
1.8.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	1,124
1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)	-	272,623
1.9.1.To Owners of Ordinary Shares	-	272,618
1.9.2. To Owners of Preferred Shares	-	2
1.9.3 To Preferred Shares (Preemptive Rights)	-	3
1.9.4.To Profit Sharing Bonds	-	-
1.9.5.To Holders of Profit / Loss Share Certificates	-	-
1.10.SECOND LEGAL RESERVES (-)	-	40,863
1.11.STATUTORY RESERVES (-)	-	-
1.12.EXTRAORDINARY RESERVES	-	44,944
1.13.OTHER RESERVES	-	-
1.14.SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES		
2.1.DISTRIBUTED RESERVES	-	-
2.2.SECOND LEGAL RESERVES (-)	-	-
2.3.DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1.To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Preferred Shares	-	-
2.3.3. To Preferred Shares (Preemptive Rights)	-	-
2.3.4.To Profit Sharing Bonds	-	-
2.3.5.To Holders of Profit / Loss Share Certificates	-	-
2.4.DIVIDENDS TO PERSONNEL (-)	-	-
2.5.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1. TO OWNERS OF ORDINARY SHARES [3]	0,0294	0,0237
3.2. TO OWNERS OF ORDINARY SHARES (%)	74	59
3.3. TO OWNERS OF PREFERRED SHARES [3]	-	-
3.4. TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES [3]	-	0,0048
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	12
4.3. TO OWNERS OF PREFERRED SHARES [3]	-	0,0014
4.4. TO OWNERS OF PREFERRED SHARES (%)	-	14

(1) The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.
(2) The amount included in Other Taxes and Dues Payable refers to Deferred Tax Income, which will not be included within the profit distribution.
(3) Expressed in full TL.

SECTION THREE: EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

1. Basis of Presentation

The unconsolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), "Regulation on Accounting Applications for Banks and Safeguarding of Documents and other communiqués and interpretations of Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting.

Accounting policies applied and valuation methods used in the preparation of the financial statements are expressed in detail below.

2. Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

II. Strategy for Use of Financial Instruments and Foreign Currency Transactions

1. The Bank's Strategy on Financial Instruments

The Bank's main activities comprise private, retail, commercial and corporate banking, money market and securities market operations, as well as activities related to international banking services.

In conformity with the general liability structure of the banking system, the Bank's liabilities are mainly composed of short-term deposits and other medium and long-term liabilities. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey ("CBT"). As a result, the liquidity of the Bank and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the sectoral developments and the yields of alternative investment instruments, fixed and floating rate placements are made.

Safety principle has always been the top priority in placements and the placements are focused on high yielding and low risk assets by considering their maturity structure. Accordingly, a pricing policy aiming at high return is implemented in the long-term placements and attention is paid to the maximum use of non-interest income generation opportunities. The Bank determines its lending strategy by taking into consideration the international and national economic data and expectations, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity, currency and credit risks. Furthermore, in conformity with this strategy, the Bank acts within the legal limits in terms of asset-liability management.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits determined by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

2. Foreign Currency Transactions

In the statutory records of the Bank, transactions accounted in foreign currencies (currencies except for Turkish Lira) are converted into Turkish Lira by using the prevailing exchange rates at the transaction dates. Foreign currency monetary assets and liabilities on the balance sheet are converted into Turkish Lira by using the prevailing exchange rates at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into Turkish Lira by the rates at the date of which the fair value is determined. Exchange rate differences arising from the conversions of monetary foreign currency items and the collections of and payments in foreign currency transactions are reflected to the income statement.

In accordance with "TAS 21-Effects of Changes In Foreign Exchange Rates", net investments in non-domestic companies are considered as non-monetary items, measured on the basis of historical cost and converted into Turkish Currency at the currency rates at the transaction date, and also in accordance with "TAS 29-Financial Reporting In Hyperinflationary Economics", the inflation adjusted value is calculated by using the inflation indices prevailing between the date of transaction and final date that the inflation adjustment is applied, 31 December 2004, and it is accounted by allocating provision amounts for any permanent impairment losses.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Bank are converted into TL by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions. The exchange rate differences arising from the conversion are recorded in the "Other Profit Reserves" account under the shareholders' equity.

III. Associates and Subsidiaries

Investments in associates and subsidiaries are recognized within the scope of "TAS 39-Financial Instruments: Recognition and Measurement". Investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Investments in subsidiaries and associates, whose shares are not traded in an active market (stock market), are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, if any, impairment losses.

IV. Forward and Option Contracts and Derivatives Instruments

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, forwards, foreign currency options and interest rate options. The Bank has no derivative instruments decomposed from the main contract.

Derivative transactions are carried at their fair values at the contract dates and the receivables and payables arising from these transactions are followed under off-balance sheet accounts. Derivative transactions are measured at their fair values in the reporting periods following their recording and the valuation differences are shown under the accounts, "Derivative Financial Assets Held for Trading" and "Derivative Financial Liabilities Held for Trading", depending on the difference being positive or negative. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading. The valuation differences arising from the valuation of derivative transactions are associated with the income statement.

On off-balance sheet items table, options which generated assets for the Bank are presented under "call options" line and which generated liabilities are presented under "put options" line.

V. Interest Income and Expenses

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals 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 related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

VI. Fees and Commission Income and Expenses

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

VII. Financial Assets

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

1. Cash and Banks

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

2. Marketable Securities

a. Financial Assets at Fair Value through Profit And Loss

a.1. 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 which 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. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are 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, 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.

a.2. Financial Assets at Fair Value through Profit and Loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

b. Information on Financial Assets Available for Sale and Held to Maturity Investments

b.1. Information on Financial Assets Available for Sale

Financial assets available for sale represent 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 on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, 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, they are recognized 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.

b.2. Information on Held to Maturity Investments

Held to maturity investments are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which 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, if any. Interest income from held to maturity investments are recognized in the income statement as an interest income.

There are no financial assets that are classified by the Bank as held to maturity investments, however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

3. Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition.

Retail and corporate loans that are followed under cash loans are accounted at original maturities, based on their contents, under the accounts defined by the Uniform Code of Accounts (UCA) and the Explanatory Manual.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

VIII. Impairment of Financial Assets

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount.
A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

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

When a decline occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Loans are classified and followed in line with the provisions of the "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", published on the Official Gazette numbered 26333 dated 1 November 2006. While the Parent Bank was allocating specific provision for the total amount of non-performing loans and other receivables, considering an account the minimum reserve ratios to calculate the provision has been amended accordingly, since the third quarter of the current year; the Parent Bank has started to allocate specific provisions in accordance with the minimum provision rates mentioned. Between the activities of the Bank for the financial leasing and factoring operations for the receivables in the "Financial Leasing, Factoring and Financing Companies Communiqué on Principles and Procedures for the Provision for Receivables" under the special provision is made and published on the Official Gazette numbered 26558 dated 20 July 2007. Specific provisions are reflected in the income statement. Provisions released in the same year, "Provision Expense" account are credited in the past years, the remaining part of the provisions in the "Other Operating Income" account transferred to and recognized.

Other than specific allowances, the Bank provides "general allowances" for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IX. Offsetting Financial Instruments

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

X. Sale and Repurchase Agreements and Securities Lending Transactions

Marketable securities subject to repurchase agreements are classified under "Available for Sale Financial Assets" or "Held to Maturity Investments" in the Bank's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds from Repurchase Transactions" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

XI. Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Assets held for sale are not amortized or depreciated and presented in the financial statements separately. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. Goodwill and Other Intangible Assets

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

The Bank's intangible assets are composed of software programs. The purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of "TAS 36 – Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

The related assets are amortized by the straight-line method in 1-3 years. The amortization method and period are periodically reviewed at the end of each year.

XIII. Tangible Assets

Tangible assets purchased before 1 January 2005, are presented in the financial statements at their inflation adjusted acquisition costs as at 31 December 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of "TAS 36 – Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Assets under construction for leasing or for administrative purposes or for other objectives, which are not presently determined, are amortized when they are ready for use.

The acquisition costs of tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized prospectively.

Assets acquired through finance lease are amortized at the estimated useful life or the leasing period, whichever is shorter.

Costs of operational lease development are amortized at equal amounts considering the period of benefit. Yet, in any case, the period of benefit cannot exceed the period of lease. In case the period of lease is indefinite or longer than 5 years, the amortization period is considered to be 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets or the inactivation of a tangible asset and the book value of the tangible assets are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages on tangible assets.

The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	4-50	2-25%
Safe Boxes	2-50	2-50%
Other Movables	2-25	4-50%
Leased Assets	4-5	20-25%

XIV. Leasing Transactions

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portion of the payables is recognized as a deferred amount of interest. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated. Within the context of the Bank's general borrowing policy, financial expenses are recognized in the income statement. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a "lessor".

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XV. Provisions and Contingent Liabilities

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation.

Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date to fulfill the liability by considering the risks and uncertainties related to the liability.

In case the provision is measured by using the estimated cash flows required to fulfill the existing liability, the book value of the related liability is equal to the present value of the related cash flows.

If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

XVI. Contingent Assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XVII. Liabilities Regarding Employee Benefits

1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who 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. The Bank also allocates provision for the unused paid vacation.

2. Retirement Benefit Obligations

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı ("İşbank Pension Fund"), of which each Bank employee is a member, has been established according to the provisional Article 20 of the Social Security Act No. 506. As per provisional article numbered 23 of the Banking Law numbered 5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Act, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 numbered 2006/11345. However, the related article of the act has been cancelled upon the President's application dated 2 November 2005, by the Supreme Court's decision dated 22 March 2007, numbered E.2005/39, K.2007/33, which was published on the Official Gazette dated 31 March 2007 and numbered 26479 and the execution decision was ceased as of the issuance date of the related decision.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. the three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Cabinet decision dated. 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

The above mentioned 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, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, 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 the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash,
- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Bank had an actuarial valuation made for the aforementioned pension fund as of 31 December 2012. In the financial statements for the related period provision was set aside for the amount of actuarial and technical deficit in the actuarial report dated 30 January 2013 and the amount of the related provision was kept in

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the financial statements for the current period. The actuarial assumptions used in the related actuarial report are given in Section Five Note II-i.

Up to now, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund), which has been founded by the Bank employees in accordance with the rules of the Civil Code and which provides subsequent retirement benefits; and the Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of covering its total obligations, and that it shall not constitute an additional liability for the Bank.

XVIII. Taxation

1. Corporate Tax:

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. As per the related law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The temporary provisional tax for the year ended 2012 will be paid in February 2013 and will be offset with the current period's corporate tax.

Tax expense is the sum of the current tax expense and deferred tax charge. Current period tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded. Current taxes are shown in the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovables are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

2. Deferred Tax:

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. General provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

Deferred tax assets and liabilities are shown in financial tables by way of offsetting.

3. Tax Practices in the Countries that Foreign Branches Operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% corporate tax and 15% income tax. The tax bases for companies are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of the companies. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is are higher than the corporate tax payable, the difference is deducted from income tax payable.

England

Corporate earnings are subject to 24% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the tax base of the relevant year, is higher than the amount found by dividing 1,500,000 GBP (exact value), as specified in regulations, by the number of participations, in which the Bank has 75% or more share, plus one, the corporate tax payments are made as temporary tax payments in four installments in July and October of the relevant year and in January and April of the following year. Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the afore-mentioned threshold, corporate tax is paid by the end of January of the second year following the year that the profit is made.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

The Republic of Iraq (Iraq)

Corporate earnings are subject to 15% income tax in Iraq. Income tax is accrued at the end of the year and paid in the following year to the related tax administration by the end of June, at the latest.

Georgia

Corporate earnings are subject to income tax rate of 15% according to the Georgian legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the income of corporations and that are calculated in accordance with the tax laws. Income tax has to be paid until the beginning of April of the following year. In addition, in accordance with the legislation of Georgia, each year during May, July, September and December the amount of tax, that calculated according to the previous year income tax, is paid to the tax office by four equal installments of the probable income that is likely to be obtained the current year. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities.

Kosovo

Corporate earnings are subject to income tax rate of 10% according to the Kosova legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the income of corporations and that are calculated in accordance with the tax laws. Tax has to be paid in advance until April, June, October and January of the current year and the 15th day of January of the following year by four installments. The amount of tax payment has to be finalized until the beginning of the April of the following year. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities. Two different methods can be used for the calculation of the prepaid taxes. First method is based on the calculation of the estimated tax on profit and the second method is based on the basis for more than 10% of the tax on the previous year.

4. Transfer Pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

XIX. Borrowings

The Bank resorts to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bonds/bills. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

XX. Equity Shares and Issuance of Equity Securities

Share issuance related costs are recognized as expenses.

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Bank's earnings per share calculations taking place in the income statement are as follows:

	Current Period	Prior Period
Profit attributable to shareholders	3,310,307	2,667,487
Weighted average number of share certificates ('000)	112,502,250	112,502,250
Earnings per share – in exact TL	0.029424363	0.023710521

XXI. Bank Acceptances and Bills of Guarantee

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXII. Government Incentives

There are no government incentives utilized by the Bank, during the current or prior accounting periods.

XXIII. Segment Reporting

Business segment is the part of an enterprise,

- which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise),
- whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment, and
- which has its separate financial information.

Information on the Bank's business segmentation and related information is explained in Section Four Note XV.

XXIV. Other Disclosures

None.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR: INFORMATION ON THE FINANCIAL POSITION OF THE BANK

I. Explanations on Capital Adequacy Standard Ratio

The capital adequacy of the Bank is 16.33%. Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette numbered 28337 dated 28 June 2012, effectiveness date is 01 July 2012, and the calculations are made according to "Regulation on Equities of Banks" published in the Official Gazette numbered 26333 dated 1 November 2006.

Capital adequacy ratio is calculated from obligated required capital of the credit risk, the market risk and the operational risk. The amount subject to credit risk on balance sheet assets and non-cash loans, commitments and types of derivative financial instruments, risk classes and ratings of risk weights are evaluated by taking into account the relevant legislation.

The amount subject to credit risk for non-cash loans and commitments are considered by using the conversion rates which are defined in the 5th article of "Regulation On Measurement And Evaluation Of Capital Adequacy Of Banks" after deducting specific provision amount which is calculated from the article of "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published in the Official Gazette numbered 26333 dated 1 November 2006. The items, which are considered as deductions from capital amount, are not considered in the calculation of capital requirement of credit risk.

Such financial assets, liabilities and off-balance sheet transactions are classified in two separate portfolio as "trading accounts" and "banking accounts" in accordance with the legal regulations and the Bank's internal risk policies. Actively traded asset on balance sheet, derivative transactions held for trading, and trading accounts comprising foreign currency positions are used in calculation of market risk according to the Standard Method by the Bank. Financial instruments and non-financial assets which are excluded from trading book and classified as banking book are subject to calculation of credit risk. In the calculation of the Bank's operational risk, "Basic Indicator Method" is used.

Information related to capital adequacy ratio:

	Risk Weights								
	Bank Only								
Value at Credit Risk	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**200%**	**1250%**
Risk Groups									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	45,867,079			7,904,046		231,616			
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government			29,323			34,640			
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises						228,823			
Contingent and Non-Contingent Receivables from Multilateral Development Banks									
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries			5,173,998	4,510,135		137,353	59		
Contingent and Non-Contingent Corporate Receivables						70,230,895			
Contingent and Non-Contingent Retail Receivables					35,726,534				
Contingent and Non-Contingent Receivables Secured by Residential Property				8,941,070					
Non-Performing Receivables [1]						426,384			
Receivables are identified as high risk by the Board							2,933,247	5,959,452	
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions						382,649			
Other Receivables	2,350,844		242			10,318,621			

[1] In accordance ''Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables and represents the net of value after the offsetting with the specific provisions for those.

Summary information about the bank only standard capital adequacy ratio:

	Current Period
Capital Requirement for Credit Risk (VaCR*0.08) (CRCR)	10,945,847
Capital Requirement for Market Risk (CRMR)	281,182
Capital Requirement for Operational Risk (CROR)	894,118
Equity	24,739,690
Equity/ ((CRCR+CRMR+CROR)*12.5*100)	16.33

Information about the components of equity items:

	Current Period	Prior Period[1]
CORE CAPITAL (TIER I)		
Paid-In Capital	4,500,000	4,500,000
Nominal Capital	4,500,000	4,500,000
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,615,938
Share Premium	3,694	3,694
Share Cancellation Profits		
Reserves	9,312,168	7,467,573
Inflation Adjustments to Reserves		
Profit	3,310,307	2,667,487
Net Current Period's Profit	3,310,307	2,667,487
Prior Periods' Profit		
Provision for Possible Losses (up to 25% of the Core Capital)	1,000,000	950,000
Gain on Sale of Associates, Subsidiaries and Real Estates	245,659	159,524
Primary Subordinated Debt		
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements on Operational Leases (-)	116,974	117,892
Intangible Assets (-)	104,907	63,677
Deferred Tax Asset excess of 10% of the Core Capital (-)		
Limit Excesses as per Paragraph 3 of the Article 56 of the Banking Law (-)		
Total Core Capital	19,765,885	17,182,647
SUPPLEMENTARY CAPITAL		
General Loan Loss Provision	1,613,677	1,245,245
45% of Revaluation Surplus on Movables		
45% of Revaluation Surplus on Immovables		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures) not accounted in Current Period's Profit	26,692	26,692
Primary Subordinated Debt Excluding the Portion included in the Core Capital		
Secondary Subordinated Debt	1,785,000	
45% of Marketable Securities and Investment Securities Value Increase Fund [2]	1,667,064	453,973
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss		
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)		
Total Supplementary Capital	5,092,433	1,725,910

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

CAPITAL	24,858,318	18,908,557
DEDUCTIONS FROM THE CAPITAL	118,628	277,425
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above		
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the Bank		
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan		
Loans extended being noncompliant with articles 50 and 51 of the Law	1,448	326
Net book values of properties owned, exceeding 50% of Banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed [3]	75,269	77,890
Securitization positions deducted from equity		
Others [4]	41,911	199,209
TOTAL SHAREHOLDERS' EQUITY	**24,739,690**	**18,631,132**

[1] Prior year amounts are presented in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" dated 28 June 2012 and dated 28337; the total shareholders' equity balance has not changed.
[2] According to the related regulation, if the items subject to the Marketable Securities Value Increase Fund have a negative balance; total amount, and if positive 45% of the balance is taken into consideration in supplementary capital calculation.
[3] Prior period's balance reported as TL 65,939 was restated as TL 77,890.
[4] It includes the deductions from the capital in accordance with the decision of the Banking Regulation and Supervision Agency dated 16 December 2010 and numbered 3980, published on the Official Gazette dated 18 December 2010 and numbered 27789.

Information on the Bank's internal capital requirements within the scope of the internal capital adequacy assessment process in order to evaluate the adequacy of the approach in terms of current and future activities:

On-balance sheet and off-balance sheet financial risks and activities arising from financial assets and liabilities, against damage caused by exposure to financial risk that are necessary to determine the level of capital and the determined level, taking into consideration the specified minimum levels of statutory and internal continuity of the supply and monitoring process "Capital Adequacy Policy" implemented within the framework by the Bank.

Capital adequacy level is; monitored and analyzed taking into consideration the possible changes on economic conjuncture, risk factors, balance sheet structure and size, profitability and, the dividend policy by the Bank. As for the level of capital adequacy with a view to a forward-looking analysis and projection studies affect the Bank's planning and decision processes.

Internal capital adequacy assessment process, covers determining the risks to an internal perspective which are faced by the Bank and also covers the necessary capital amount against the risks and evaluation within the framework of the principles and methods . This process contains the assessments of capital adequacy under normal conditions with the evaluation of working under stress conditions.

During the assessment of the Bank's internal capital adequacy; in addition to credit risk, market risk and operational risk, considered to be important by the Bank and for the other quantifiable risks, there are generally accepted methods of calculating capital requirements.

II. Explanations on Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Bank.

The Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Bank's Risk Group, including the Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

Utmost importance is given to ensure that loans are furnished with collaterals. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees.

Non-performing and impaired loans has classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.2633 dated 1 November 2006. The detailed descriptions of these methods correspond with accounting practices, are included in Section Three Note VIII.

Credit risk is the risk reduction effects without taking into consideration the total amount of exposures after offsetting transactions with different risk classes according to the types and amounts of disaggregated risks are listed below the average for the period.

Exposure Categories [1]	Current Period Risk Amount	Average Risk Amount [2]
Exposure Categories		
Conditional and unconditional exposures to central governments or central banks	54,002,741	54,901,062
Conditional and unconditional exposures to regional governments or local authorities	63,963	53,165
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	228,823	206,760
Conditional and unconditional exposures to multilateral development banks		
Conditional and unconditional exposures to international organizations		
Conditional and unconditional exposures to banks and brokerage houses	9,821,545	7,780,615
Conditional and unconditional exposures to corporates	70,230,895	69,149,242
Conditional and unconditional retail exposures	35,726,534	34,054,939
Conditional and unconditional exposures secured by real estate property	8,941,070	9,104,887
Past due items	426,384	360,544
Items in regulatory high-risk categories	8,892,699	8,116,383
Exposures in the form of bonds secured by mortgages		
Securitisation positions		
Short term exposures to banks, brokerage houses and corporates		
Exposures in the form of collective investment undertakings	382,649	241,584
Other items	12,669,707	12,298,677

[1] Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
[2] Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" (1 June 2012) to the period end.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic market in this particular area, the Bank uses derivative transactions either for hedging or for commercial purposes.

Derivative instruments with a remarkable volume are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the rating system that has been developed and credit limits are assigned accordingly.

6. (i) The share of the Bank's receivables from the top 100 and 200 cash loan customers in the overall cash loan portfolio stands at 22%, 29%, respectively(31.12.2011: 25%, 31%).

(ii) The share of the Bank's receivables from the top 100 and 200 non-cash loan customers in the overall non-cash portfolio stands at 44%, 55% respectively (31.12.2011: 48%, 58%).

(iii) The share of the Bank's cash and non-cash receivables from the top 100 and 200 loan customers in the overall cash and non-cash loans stands at 15%, 20%, respectively (31.12.2011: 16%, 21%).

Companies that are among the top loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the general provisions allocated for credit risk stands at TL 1,613,677.

8. The Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period	Prior Period
Strong	51.46%	40.39%
Standard	33.83%	49.68%
Below Standard	5.99%	4.82%
Not Rated/Scored	8.72%	5.11%

The table data comprises behavior rating/scoring results

9. The net values of the collaterals of the closely monitored loans are given below in terms of collateral types and risk matches.

	Current Period		Prior Period	
Type of Collateral	**Net Value of the Collateral**	**Loan Balance**	**Net Value of the Collateral**	**Loan Balance**
Real Estate Mortgage [(1)]	574,296	574,296	542,046	542,046
Vehicle Pledge	140,164	140,164	80,534	80,534
Cash Collateral (Cash, securities pledge, etc.)	19,074	19,074	11,099	11,099
Pledge on Wages	126,458	126,458	72,823	72,823
Cheques & Notes	30,673	30,673	18,299	18,299
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	173,691	173,691	81,503	81,503
Non-collateralized		827,175		626,462
Total	**1,064,356**	**1,891,531**	**806,304**	**1,432,766**

[(1)] The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

10. The net values of the collaterals of non-performing loans are given below in terms of collateral types and risk matches.

	Current Period		Prior Period	
Type of Collateral	**Net Value of the Collateral**	**Loan Balance**	**Net Value of the Collateral**	**Loan Balance**
Real Estate Mortgage [(1)]	417,804	417,804	426,461	426,461
Cash Collateral	36	36	26	26
Vehicle Pledge	59,204	59,204	89,065	89,065
Other (suretyship, commercial enterprise under pledge, commercial papers, etc.)	30,474	30,474	46,618	46,618

[(1)] The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

11. The aging analysis of the loans past due but not impaired is as follows:

Current Period [(1)]	**1-30 Days [(2)]**	**31-60 Days [(3)]**	**61-90 Days [(3)]**	**Total**
Loans				
Corporate / Commercial Loans [(1)]	336,684	20,916	21,316	378,916
Consumer Loans [(1)]	67,281	27,038	11,860	106,179
Credit Cards	421,829	115,243	48,273	585,345
Total [(2)]	**825,794**	**163,197**	**81,449**	**1,070,440**

[(1)] The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 31 days is TL 1,170,546.
[(2)] Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 405,363 and TL 586,342 respectively.
[(3)] Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 218,097 and TL 258,242 respectively.

Prior Period [(1)]	**1-30 Days [(1)]**	**31-60 Days [(2)]**	**61-90 Days [(3)]**	**Total**
Loans				
Corporate / Commercial Loans	395,966	18,636	14,790	429,422
Consumer Loans	25,710	22,181	10,340	58,231
Credit Cards	298,581	121,911	85,568	506,060
Total	**720,287**	**162,728**	**110,698**	**993,713**

[(1)] The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 31 days is TL 788,419.
[(2)] Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 593,465 and TL 314,066 respectively.
[(3)] Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 183,818 and TL 187,103 respectively.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

12. Profile of significant exposures in major regions

Current Period	Domestic	European Union	OECD Countries [1]	Off-Shore Banking Regions	USA, Canada	Other Countries	Investments in Associates, Subsidiaries and Jointly Controlled Entities	Undistributed Assets/Liabilities [2]	Total
Risk Groups									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	53,771,125					231,616			54,002,741
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	63,963								63,963
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	228,810					13			228,823
Contingent and Non-Contingent Receivables from Multilateral Development Banks									
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries	5,342,941	3,364,384	176,077	23,075	629,220	285,848			9,821,545
Contingent and Non-Contingent Corporate Receivables	68,882,886	375,407	1,014	133,556	7,349	830,683			70,230,895
Contingent and Non-Contingent Retail Receivables	35,403,114	3,079	589		8	319,744			35,726,534
Contingent and Non-Contingent Receivables Secured by Residential Property	8,902,363	10,350	114		379	27,864			8,941,070
Non-Performing Receivables	426,384								426,384
Receivables are identified as high risk by the Board	8,786,861	307	47			105,484			8,892,699
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions							382,649		382,649
Other Receivables	5,352,150	252					7,317,305		12,669,707
Total	**187,160,597**	**3,753,779**	**177,841**	**156,631**	**636,956**	**1,801,252**	**7,699,954**		**201,387,010**

[1] *EU Countries, USA and Canada except the OECD Countries*
[2] *Assets and liabilities are allocated on a consistent basis*

13. Risk profile by sectors or counterparties:

Current Period – Bank	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	TL	FC	Total
Sectors/Counterparty																			
Agricultural		**119**	**141**				**405,892**	**943,834**	**58,202**	**6,992**	**41,840**						**1,351,241**	**105,779**	**1,457,020**
Farming and Raising Livestock		119	141				279,033	764,387	51,544	4,779	39,035						1,110,943	28,095	**1,139,038**
Forestry							41,869	141,464	4,159	1,605	1,568						183,653	7,012	**190,665**
Fishing							84,990	37,983	2,499	608	1,237						56,645	70,672	**127,317**
Industry		**22**	**35**				**30,728,242**	**4,372,563**	**247,745**	**66,031**	**54,604**						**13,705,720**	**21,763,522**	**35,469,242**
Mining							871,611	200,652	6,750	7,946	2,142						442,950	646,151	**1,089,101**
Production			27				22,937,979	4,079,102	233,649	57,707	50,071						12,258,187	15,100,348	**27,358,535**
Electricity, gas, and water		22	8				6,918,652	92,809	7,346	378	2,391						1,004,583	6,017,023	**7,021,606**
Construction							**6,415,863**	**2,048,996**	**105,110**	**53,049**	**21,903**						**5,231,195**	**3,413,726**	**8,644,921**
Services	**170,868**	**823**	**224,714**			**9,821,545**	**29,140,341**	**12,439,664**	**1,903,456**	**107,730**	**619,487**						**32,616,192**	**21,812,436**	**54,428,628**
Wholesale and Retail Trade		10	93,650				12,511,665	7,405,759	456,390	72,750	107,841						15,584,002	5,064,063	**20,648,065**
Hotel, Food and Beverage Services			65				2,250,902	481,112	73,823	4,929	24,158						939,219	1,895,770	**2,834,989**
Transportation and Telecommunication			2,291				6,032,889	2,440,999	164,381	14,428	78,450						3,631,876	5,101,562	**8,733,438**
Financial Institutions	170,856		12			9,821,545	1,035,432	102,496	20,274	467	8,120						7,051,117	4,108,085	**11,159,202**
Real Estate and Renting Services			27,164				4,672,215	723,069	134,305	5,062	41,857						1,605,730	3,997,942	**5,603,672**
Self-Employment Services		811	67,663				1,902,995	834,026	921,153	6,044	321,019						2,783,864	1,269,847	**4,053,711**
Education Services	4	0	23,091				318,060	118,285	41,770	2,255	14,552						323,113	194,904	**518,017**
Health and Social Services	8	2	10,778				416,183	333,918	91,360	1,795	23,490						697,271	180,263	**877,534**
Other	**53,831,873**	**62,999**	**3,933**				**3,540,557**	**15,921,477**	**6,626,557**	**192,582**	**8,154,865**				**382,649**	**12,669,707**	**79,497,009**	**21,890,190**	**101,387,199**
Total	**54,002,741**	**63,963**	**228,823**			**9,821,545**	**70,230,895**	**35,726,534**	**8,941,070**	**426,384**	**8,892,699**				**382,649**	**12,669,707**	**132,401,357**	**68,985,653**	**201,387,010**

(1) Contingent and non-contingent exposures to central governments or central banks (2) Contingent and non-contingent exposures to regional governments or local authorities
(3) Contingent and non-contingent exposures to administrative bodies and non-commercial undertakings
(4) Contingent and non-contingent exposures to multilateral development banks (5) Contingent and non-contingent exposures to international organizations (6) Contingent and non-contingent exposures to banks and brokerage houses
(7) Contingent and non-contingent corporate receivables (8) Contingent and non-contingent retail receivables(9) Contingent and non-contingent exposures secured by real estate property (10) Past due items (11) Items in regulatory high-risk categories
(12) Exposures in the form of bonds secured by mortgages (13) Securitization positions (14) Short term exposures to banks, brokerage houses and corporates (15) Exposures in the form of collective investment undertakings (16) Other items

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

14. Analysis of maturity-bearing exposures according to remaining maturities:

Risk Groups	Time to Maturity					
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Total
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	1,735,178	394,728	2,573,228	4,955,849	29,169,240	38,828,223
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments	2,854	7,839	5,037	12,793	34,941	63,464
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	2,706	9,722	14,436	118,247	73,601	218,712
Contingent and Non-Contingent Receivables from Banks and Intermediaries	3,858,874	509,323	435,034	972,109	1,992,143	7,767,483
Contingent and Non-Contingent Corporate Receivables	4,828,714	5,151,503	6,620,218	9,081,684	35,787,712	61,469,831
Contingent and Non-Contingent Retail Receivables	6,668,304	3,354,572	3,817,321	4,101,878	7,331,784	25,273,859
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages	230,271	306,240	442,522	880,046	7,081,991	8,941,070
Receivables are identified as High Risk by the Board	267,611	431,405	641,284	2,098,711	5,453,688	8,892,699
Total	**17,594,512**	**10,165,332**	**14,549,080**	**22,221,317**	**86,925,100**	**151,455,341**

15. Information on Risk Classes

In the calculation of the amount subject to credit risk, determining the risk weights related to risk classes stated on the sixth article of "Regulation on Measurement and Evaluation of Capital Adequacy Of Banks", is based on the Fitch Ratings' international rating with the Banking Regulation and Supervision Board's decision numbered 4577 dated 10 February 2012. While receivables from resident banks in abroad which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Banks and Brokerage Agencies" and receivables from central governments which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Central Governments or Central Banks" will be subjected to risk weights with the scope of ratings; therefore domestic resident banks accepted as unrated, the risk weight is applied according to receivables from relevant banks , type of exchange and remaining maturity.

If a receivable-specific rating is performed, risk weights to be applied on the receivable are determined by the relevant credit rating.

The table related to mapping the ratings used in the calculations and credit quality grades, which is stated in the Annex of Regulation on Measurement and Assessment of Capital Adequacy of Banks, is given below

Credit Quality Grades	1	2	3	4	5	6
Risk Rating	AAA via AA-	A+ via A-	BBB+ via BBB-	BB+ via BB-	B+ via B-	CCC+ and lower

There is no credit rating and credit export agency has been assigned for the items that are not included to trading accounts.

Risk Weight (1)	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Mitigation in Shareholders' Equity
Amount Before Credit Risk Mitigation	48,217,923		5,203,563	21,355,251	35,726,534	81,990,981	2,933,306	5,959,452		340,509
Amount After Credit Risk Mitigation	48,217,923		5,203,563	21,355,251	35,726,534	81,990,981	2,933,306	5,959,452		340,509

(1) The effect of credit risk mitigation techniques for the determination of the capital adequacy ratio are excluded

16. Miscellaneous Information According to Type of Counterparty or Major Sectors

Significant Sectors/Counterparty	Loans			
	Impaired	Non-Performing(1)	Value Adjustment(2)	Provisions(3)
Agricultural	54,640	13,498	467	47,648
Farming and Raising Livestock	45,315	11,978	359	40,536
Forestry	6,595	865	66	4,990
Fishing	2,730	655	42	2,122
Industry	383,029	122,167	3,840	316,998
Mining	19,497	5,536	201	11,551
Production	360,075	115,424	3,571	302,368
Electricity, gas, and water	3,457	1,207	68	3,079
Construction	319,370	54,704	2,032	266,321
Services	559,416	194,824	9,501	451,686
Wholesale and Retail Trade	363,207	149,254	5,364	290,457
Hotel, Food and Beverage Services	29,358	6,941	500	24,429
Transportation and Telecommunication	56,897	19,240	2,280	42,469
Financial Institutions	31,890	365	62	31,423
Real Estate and Renting Services	30,921	5,952	389	25,859
Self-Employment Services	29,253	9,033	563	23,209
Education Services	4,928	1,690	108	2,673
Health and Social Services	12,962	2,349	235	11,167
Other	708,812	685,247	42,526	516,230
Total	**2,025,267**	**1,070,440**	**58,366**	**1,598,883**

(1) Refers to loans overdue up to 90 days. Related Items included in the commercial installment loans and installment consumer loans are given only in the overdue amounts, the payment of these loans outstanding principal amounts of TL 623,460 and TL 844,584 respectively.
(2) Refers to the general provisions for non-performing loans.
(3) Refers to specific provision for impaired loans.

17. Information on Value Adjustments and Change in Credit Provisions:

	Beginning Balance	Provisions	Reversal of Provisions	Other Value Adjustment	Ending Balance
Specific Provisions	1,983,920	601,096	(986,133)		1,598,883
General Provisions	1,245,245	373,512	(5,080)		1,613,677

III. Explanations on Market Risk:

1. Information on Market Risk:

The market risk carried by the Bank is measured by two separate methods known respectively as the Standard Method and the Value at Risk Model in accordance with the local regulations adopted from internationally accepted practices. In this context, interest rate risk emerges as the most important component of the market risk.

The market risk measurements are carried out by applying the Standard Method at the end of each month and the results are included in the statutory reports as well as being reported to the Bank's top management.

The Value at Risk Model (VAR) is another alternative for the Standard Method used for measuring and monitoring market risk. This model is used to measure the market risk on a daily basis in terms of interest rate risk, currency risk and equity share risk and is a part of the Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR model used to measure the losses that may occur in the ordinary market conditions are practiced, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Bank's portfolio are determined and the results are reported to the Bank's top management.

The limits set for the market risk management within the framework of the Bank's asset liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out within the context of "Standard Method for Market Risk Measurement" and in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" as at 31 December 2012.

1.a Information on the market risk:

	Amount
(I) Capital Obligation against for General Market Risk – Standard Method	22,881
(II) Capital Obligation against for Specific Risk – Standard Method	15,724
Capital Obligation for Specific Risk Related to Securitization Positions-Standard Method	
(III) Capital Obligation against for Currency Risk – Standard Method	208,179
(IV) Capital Obligation against for Stocks Risk – Standard Method	1,290
(V) Capital Obligation against for Exchange Risk – Standard Method	
(VI) Capital Obligation against for Market Risk of Options – Standard Method	1,673
(VII) Capital Obligation against for Counterparty Credit Risk-Standard Method	31,435
(VIII) Capital Obligation against for Market Risks of Banks Applying Risk Measurement Models	
(IX) Total Capital Obligation against for Market Risk (I+II+III+IV+V+VI+VII)	281,182
(X) Value at Market Risk (12.5 x VIII) or (12.5 x IX)	3,514,775

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1.b Table of the average market risk related to the market risk calculated quarterly during the period:

	Current Period[(1)]		
	Average	Highest	Lowest
Interest Rate Risk	27,851	30,814	23,130
Share Certificate Risk	14,486	13,622	15,475
Currency Risk	212,856	234,256	208,179
Commodity Risk	4,719	5,239	1,290
Settlement Risk	406	294	
Options Risk	1,165	2,274	1,673
Counterparty Credit Risk	33,085	33,041	31,435
Total Value at Risk	3,682,100	3,994,250	3,514,775

[(1)] As per the legislation on capital adequacy effective from 1 July 2012, due to the calculation of Value At Market Risk methodology, the table is regulated for considering the period after the date of the above-mentioned.

2. Information on counterparty credit risk

A counterparty credit risk, which is accounts for trading derivatives and repo transactions tracked on both sides, such as the credit risk the liability arising from transactions, is determined by the methodology which is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" which is published on the Official Gazette no.28337 dated 28 June 2012 and became effective starting from 1 June 2007. Counterparty credit risk valuation method based on the calculation of the fair value of the derivative transactions is implemented. The calculation of the amount of risk on derivative transactions, the potential amount of credit risk is positively correlated with the sum of the costs of renewal. The calculation of the amount of the potential credit risk of the contract amount is multiplied by the rates given in the regulation. Derivative instruments valuation based on replacement costs and the fair value of the related contracts are obtained.

The Bank is exposed to counterparty credit risk is managed within the framework of general principles and guarantees the credit limit allocation. Exposure to credit risk of derivative transactions with banks due to the majority of reciprocal agreements signed with related parties are subject to the daily exchange of collateral, counterparty credit risk exposure is reduced in this way. On the other hand, the calculation of capital adequacy under the legislation of counterparty credit risk, the risk-reducing effect of such agreements is not considered.

Within the scope of trading accounts with credit derivatives acquired or disposed of by the Bank does not have any protection.

Quantitative information on counterparty risk

	Amount
Interest-Rate Contracts	33,616
Foreign-Exchange-Rate Contracts	191,399
Commodity Contracts	40,487
Equity-Shares Related Contracts	
Other	
Gross Positive Fair Values	332,852
Netting Benefits	
Net Current Exposure Amount	
Collaterals Received	
Net Derivative Position	598,354

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IV. Explanations on Operational Risk

Operational risk is defined in general as "the risk of loss that may be arising from inadequate or ineffective internal processes, people, systems or other external factors".

The classification of operational risks that might be encountered during the activities is followed by preparing the "Risk Catalog of the Bank". This Risk Catalogue is the basis to be used in the definition and classification of all risks that may be exposed to and is updated parallel to the changing conditions.

The principles on specifying, defining, evaluating, measuring, monitoring, controlling and reporting the operational risk and the responsibilities regarding operational risk management are stated in the "Operational Risk Policy".

In the assessment of operational risk, "Self-Assessment Methodology" is applied. This method requires identifying the risks through the participation of the personnel who is responsible for undertaking the operation. Both qualitative and quantitative methods are used in the measurement and evaluation of operational risk. Information derived from the "Impact-Likelihood Analysis" and "Lost Case Data Analysis" is used in the measurements.

All the operational risks that are carried during the operations, the risk levels of the operations and/or new products/services, together with the losses of the Bank arising from operational risks are regularly monitored by the Risk Management Department, and if deemed necessary, the risk levels are updated and periodically reported to the Risk Committee and the Board of Directors.

The operational risk, to which the Bank is exposed, is measured using the Basic Indicator Approach in which the average of 15% of the year-end gross income of the last three years is multiplied by 12.5, in line with the domestic regulations. The operational risk amount used for the current period is TL 11,176,474 (31.12.2011: TL 11,275,425).

The information contained in the following table when using the basic indicator method:

	2 PP Amount	1 PP Amount	CP Amount	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	6,135,710	5,520,969	6,225,680	3	15	894,118
Value at operational risk (Total*12.5)						11,176,474

V. Explanations on Currency Risk

Foreign currency position risk for the Bank is a result of the difference between the Bank's assets denominated in foreign currencies and indexed to foreign currencies and liabilities denominated in foreign currencies. Furthermore, parity fluctuations of different foreign currencies are another element of the currency risk.

The currency risk is managed by the internal currency risk limits which are established as a part of the Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks within the framework of the limits determined by the "Net Foreign Currency Overall Position/Shareholders' Equity" ratio which is a part of the legal requirement and limits specified by the Board of Directors. Foreign exchange risk management decisions are strictly applied.

In measuring currency risk, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging currency risk.

Risk measurements made within the context of the Value at Risk Model (VAR) are practiced on a daily basis using the historical and Monte Carlo simulation methods. Scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on currency risk are reported to the Top Management and the risks are closely monitored by taking into account the market and the economic conditions.

The Bank's foreign currency purchase rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

Date	USD	EUR
31.12.2012	1.7850	2.3526
28.12.2012	1.7850	2.3562
27.12.2012	1.7900	2.3685
26.12.2012	1.7900	2.3703
25.12.2012	1.7900	2.3607
24.12.2012	1.7900	2.3628

The Bank's last 30-days arithmetical average foreign currency purchase rates:

USD: TL 1.7757 **EUR:** TL 2.3280

Sensitivity to currency risk:

The Bank's sensitivity to any potential change in foreign currency rates has been analyzed. In the analysis presented below 10% change, which is also the amount used for the internal reporting purposes, is anticipated in USD, EUR and GBP.

	% Change in Foreign Currency	Effects on Profit/Loss [1]	
		Current Period	Prior Period
USD	10% increase	189,438	145,566
	10% decrease	(189,438)	(145,566)
EUR	10% increase	(184,307)	(94,839)
	10% decrease	184,307	94,839
GBP	10% increase	69,305	98,199
	10% decrease	(69,305)	(98,199)

[1] Indicates the values before tax.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Information on currency risk:

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	4,818,640	5,633,042	2,910,249	13,361,931
Banks	320,740	402,369	607,600	1,330,709
Financial Assets at Fair Value through Profit/Loss (1)	122,092	295,438		417,530
Money Market Placements				
Financial Assets Available for Sale	459,225	5,878,347	252	6,337,824
Loans (2)	11,248,973	26,383,662	894,832	38,527,467
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	231,489		130,366	361,855
Held to Maturity Investments	1,947	1,524	4,970	8,441
Derivative Financial Assets Held for Risk Management				
Tangible Assets (1)	67	208	1,023	1,298
Intangible Assets				
Other Assets (1)	100,957	460,902	8,715	570,574
Total Assets	**17,304,130**	**39,055,492**	**4,558,007**	**60,917,629**
Liabilities				
Banks Deposits	1,003,341	690,988	369,022	2,063,351
Foreign Currency Deposits (3)	13,895,802	20,276,551	4,157,936	38,330,289
Money Market Funds	211,974	2,907,899		3,119,873
Funds Provided from Other Financial Institutions	4,111,512	5,747,222	512	9,859,246
Marketable Securities Issued (4)		3,602,440		3,602,440
Miscellaneous Payables	117,778	127,723	12,530	258,031
Derivative Financial Liabilities Held for Risk Management				
Other Liabilities (1)	1,367,111	1,692,410	7,397	3,066,918
Total Liabilities	**20,707,518**	**35,045,233**	**4,547,397**	**60,300,148**
Net On Balance Sheet Position	**(3,403,388)**	**4,010,259**	**10,610**	**617,481**
Net Off Balance Sheet Position	**1,560,584**	**(2,165,399)**	**531,147**	**(73,668)**
Derivative Financial Assets (5)	4,513,401	6,079,032	1,696,374	12,288,807
Derivative Financial Liabilities (5)	2,952,817	8,244,431	1,165,227	12,362,475
Non-Cash Loans	5,287,473	10,132,636	694,399	16,114,508
Prior Period				
Total Assets	**19,355,987**	**36,425,814**	**2,764,439**	**58,546,240**
Total Liabilities	**19,711,382**	**33,993,422**	**4,142,145**	**57,846,949**
Net Balance Sheet Position	**(355,395)**	**2,432,392**	**(1,377,706)**	**699,291**
Net Off Balance Sheet Position	**(590,273)**	**(898,497)**	**1,897,323**	**408,553**
Derivative Financial Assets	3,303,355	7,216,039	2,775,480	13,294,874
Derivative Financial Liabilities	3,893,628	8,114,536	878,157	12,886,321
Non-Cash Loans	4,475,820	10,726,324	707,590	15,909,734

(1) *In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Foreign Currency Income Accruals of Derivative Financial Instruments (TL 57,663), Operating Lease Development Costs (TL 3,212), Prepaid Expenses (TL 20,761) in assets and Foreign Currency Expense Accruals of Derivative Financial Instruments (TL 112,570) and Shareholders' Equity (TL 440,491) in liabilities are not included.*

(2) *Foreign currency indexed loans amounting TL 3,226,480 presented in TL loans in the balance sheet are included in the table above. TL 1,839,074 is USD indexed, TL 1,335,246 is EUR indexed, TL 9,766 is CHF indexed, TL 1,171 is GBP indexed, TL 41,212 is JPY indexed and TL 11 is CAD indexed.*

(3) *Precious metals deposit accounts amounting TL 2,878,807 are included.*

(4) *Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans,are also included*

(5) *Forward foreign currency purchase and sale commitments are included according to aforementioned regulation.*

VI. Explanations on Interest Rate Risk

Interest rate risk is the risk that the value of the Bank's interest sensitive assets, liabilities and off-balance sheet operations will decrease because of change in market interest rates. The method of average maturity gap according to the repricing dates is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly followed in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits above the average maturity gaps according to the repricing periods determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the historical data and expectations are also used in the management of the related risk.

Interest rate sensitivity:

In this part, the sensitivity of the Bank's assets and liabilities to the interest rates has been analyzed assuming that the year end balance figures were the same throughout the year. Mentioned analysis shows how the FC and TL changes in interest rates by one point during the one-year period affect the Bank's income accounts and shareholders' equity under the assumption maturity structure and balances are remain the same all year round at the end of the year.

During the measurement of the Bank's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between the expectancy value of the portfolio after one year in case there is no change in interest rates and the value of the portfolio one year later, which is measured after the interest shock, the interest income to be additionally earned/to be deprived of during the one year period due to the renewal or repricing of the related portfolio at the interest rates formed after the interest shock.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Bank's profit and shareholders' equity in case of 1 point increase/decrease in TL and FC interest rates on the reporting day are given below.

% Change in the Interest Rate (1)		Effect On Profit/Loss (2)		Effect on Equity (3)	
TL	FC (4)	Current Period	Prior Period	Current Period	Prior Period
1 point increase	1 point increase	(72,312)	(10,936)	(444,381)	(381,497)
1 point decrease	1 point decrease	109,855	57,567	478,449	410,069

(1) *The effects on the profit/loss and shareholders' equity are stated with their before tax values.*

(2) *The effect on the profit/loss is mainly arising from the fact that the average maturity of the Bank's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.*

(3) *The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets Available for Sale.*

(4) *Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.*

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a. Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						15,955,846	15,955,846
Banks	816,858	35,300	19,954			562,734	1,434,846
Financial Assets at Fair Value through Profit/Loss	328,015	588,712	361,258	86,474	8,821	56	1,373,336
Money Market Placements							
Financial Assets Available for Sale	7,762,510	2,177,410	7,297,099	5,226,291	3,820,176	63,417	26,346,903
Loans	31,562,413	11,539,552	23,208,831	33,448,925	7,364,538	17,895	107,142,154
Held to Maturity Investments	661,469	3,264,888	5,029,472	1,997,329			10,953,158
Other Assets	307,016	5	1			11,931,185	12,238,207
Total Assets	**41,438,281**	**17,605,867**	**35,916,615**	**40,759,019**	**11,193,535**	**28,531,133**	**175,444,450**
Liabilities							
Banks Deposits	2,169,983	387,544	251,233			237,191	3,045,951
Other Deposits	55,470,561	20,381,535	5,576,390	211,606		20,697,391	102,337,483
Money Market Funds	12,498,660	299,695	720,744				13,519,099
Miscellaneous Payables	80,051					3,594,208	3,674,259
Marketable Securities Issued [(1)]	997,897	1,727,076	1,885,232	1,773,362	1,785,000		8,168,567
Funds Provided from Other Financial Institutions	5,795,809	2,202,631	1,946,767	73,517	728,830		10,747,554
Other Liabilities [(2)]	240,364	774,868	2,277,753	44,432		30,614,120	33,951,537
Total Liabilities	**77,253,325**	**25,773,349**	**12,658,119**	**2,102,917**	**2,513,830**	**55,142,910**	**175,444,450**
Balance Sheet Long Position			23,258,496	38,656,102	8,679,705		70,594,303
Balance Sheet Short Position	(35,815,044)	(8,167,482)				(26,611,777)	(70,594,303)
Off Balance Sheet Long Position	2,258,675	4,308,600					6,567,275
Off Balance Sheet Short Position			(3,046,236)	(2,870,847)	(339,234)		(6,256,317)
Total Position	(33,556,369)	(3,858,882)	20,212,260	35,785,255	8,340,471	(26,611,777)	310,958

(1) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans ,are also included
(2) Shareholders' equity is included in "non-interest bearing" column

Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						13,736,905	13,736,905
Banks	1,677,911	1,142	55,100	499		519,684	2,254,336
Financial Assets at Fair Value through Profit/Loss	334,538	575,480	334,552	325,416	5,971	54	1,576,011
Money Market Placements	43,141						43,141
Financial Assets Available for Sale	6,979,307	3,614,543	6,673,539	7,253,244	4,060,712	71,503	28,652,848
Loans	27,145,215	10,368,336	20,149,080	27,748,602	6,201,887	7,518	91,620,638
Investment Held to Maturity	150,540	5,044,532	5,612,337	2,658,293			13,465,702
Other Assets	246,485	54	302			10,072,082	10,318,923
Total Assets	**36,577,137**	**19,604,087**	**32,824,910**	**37,986,054**	**10,268,570**	**24,407,746**	**161,668,504**
Liabilities							
Banks Deposits	1,235,737	565,552	168,195	28,222		250,431	2,248,137
Other Deposits	57,150,129	15,231,481	5,164,561	161,281		18,357,545	96,064,997
Money Market Funds	16,540,123	511,762	2,233,920	175,265			19,461,070
Miscellaneous Payables	301,819					3,039,131	3,340,950
Marketable Securities Issued	596,484	762,904	1,489,469	932,564			3,781,421
Funds Provided from Other Financial Institutions	6,033,374	3,083,354	1,937,638	81,321	12,521		11,148,208
Other Liabilities [(1)]	184,725	723,683	1,104,280	78,481	3,106	23,529,446	25,623,721
Total Liabilities	**82,042,391**	**20,878,736**	**12,098,063**	**1,457,134**	**15,627**	**45,176,553**	**161,668,504**
Balance Sheet Long Position			20,726,847	36,528,920	10,252,943		67,508,710
Balance Sheet Short Position	(45,465,254)	(1,274,649)				(20,768,807)	(67,508,710)
Off Balance Sheet Long Position	2,822,000	5,895,000					8,717,000
Off Balance Sheet Short Position			(818,655)	(7,162,295)	(188,000)		(8,168,950)
Total Position	**(42,643,254)**	**4,620,351**	**19,908,192**	**29,366,625**	**10,064,943**	**(20,768,807)**	**548,050**

(1) Shareholders' equity is shown in "non-interest bearing" column.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

b. Average interest rates applied to monetary financial instruments:

	EUR	USD	JPY	TL
Current Period	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	0.46	0.36		5.15
Financial Assets at Fair Value through Profit/Loss	2.31	3.25		8.61
Money Market Placements				
Financial Assets Available for Sale	4.63	4.57		8.18
Loans	4.67	4.90	3.31	12.94
Held to Maturity Investments	0.75	0.05		12.54
Liabilities				
Banks Deposits	1.90	2.10		6.16
Other Deposits	2.19	2.26	0.01	6.40
Money Market Funds	2.09	1.44		5.74
Miscellaneous Payables				
Marketable Securities Issued (1)		5.33		8.11
Funds Provided from Other Financial Institutions	1.40	2.29		8.85

(1) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans ,are also included

	EUR	USD	JPY	TL
Prior Period	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	0.92	0.23		9.02
Financial Assets at Fair Value through Profit/Loss	4.10	2.93		11.43
Money Market Placements	4.38	3.88		
Financial Assets Available for Sale	4.19	4.12		8.54
Loans	5.18	4.57	2.78	13.97
Held to Maturity Investments	0.75	7.42		12.98
Liabilities				
Banks Deposits	1.58	3.28		7.91
Other Deposits	2.80	3.41	0.04	8.45
Money Market Funds	3.10	2.24		10.48
Miscellaneous Payables				
Marketable Securities Issued		5.30		9.27
Funds Provided from Other Financial Institutions	2.15	1.89		7.51

c. The interest rate risk of the banking book items:

Interest rate risk arising from the banking accounts is defined as negative effect risk on capital of the changes in market interest rates due to differences in interest settlement and re-pricing on, differences in interest-earning assets taking part in the banking book; interest-bearing liabilities; interest-bearing derivative transactions inclusive of the policies established by the Board of Directors, is managed within the framework of the strategies set by the Bank Asset-Liability Committee. Compliance with internal risk limits for banking portfolio is closely and continuously monitored by the Risk Management Department and Asset-Liability Committee and the measurement results are reported to the Board of Directors on a monthly basis.

Duration and sensitivity analysis are conducted on a monthly basis by the Bank in the scope of monitoring of interest rate risk arising from the banking books. In the duration analysis, the maturity gap between assets and liabilities of the balance sheet are determined by the calculation of the weighted average maturities based on the asset that sensitive to interest rate and liabilities and off-balance sheet transactions re-pricing period. In the interest rate risk sensitivity analysis, the influence of the various interest rate change scenarios to the economic value of the Bank's capital is examined.

The interest rate risk of the banking book item in accordance with the legal regulations is measured and monitored on a monthly basis within the scope of the Regulation about Measurement and Assessment of Interest Rate Risk in the Banking Accounts by Standard Shock Method which is published official gazette numbered 28034 dated 23 August 2011. In the calculations committed due to the mentioned regulations, behavioral maturity modeling method is used for the deposits with low sensitivity to interest rate changes and demand deposits which is original maturities is longer than contractual maturities. In the core deposit analysis, the historical data of demand deposit is used and calculated the how much and which maturity would remain within the bank and these analysis is used as an input to not constitute a conflict of the legal provisions for quantifying the interest rate arising from banking book.

Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
TL	(+) 500	(3,292,629)	(13.31)%
TL	(-) 400	3,214,440	12.99%
EUR	(+) 200	(2,604)	(0.01)%
EUR	(-) 200	8,814	0.04%
USD	(+) 200	(410,270)	(1.66)%
USD	(-) 200	473,094	1.91%
Total (for Negative Shocks)		**3,696,348**	**14.94%**
Total (for Positive Shocks)		**(3,705,503)**	**(14.98)%**

VII. Explanations on Equity Shares Risk Arising from Banking Book

a. Related to the equity investments account practices about the associates and subsidiaries can be seen in the Third Section and the footnote numbered III.

b. Balance Sheet Value of Equity Investment, fair value, and for publicly traded, if the market value is different from the fair value comparison to the market price:

	Comparison		
Share Certificate Investments	**Book Value**	**Fair Value**	**Market Value**
Quoted			
Stock Investment Group A			
Subsidiaries			
Financial Subsidiaries	2,609,035		2,609,035
Non-Financial Subsidiaries	2,887,310		2,887,310
Non-Quoted			
Associate and Subsidiaries			
Financial Subsidiaries	85,295		
Non-Financial Subsidiaries	658,620		
Subsidiaries			
Financial Subsidiaries	811,099		
Non-Financial Subsidiaries	648,595		
Securities Available For Sale	15,084		

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c. Unrealized gains and losses on investment in stocks, Revaluation increases with the amounts of additives included in the main and capital

	Portfolio	Realized Gains/losses During the period	Revaluation Increases		Unrealized Gains		
			Total	Including to the Capital Contribution	Total	Including in to the main capital	Including to the Capital Contribution
1	Private Equity Investments						
2	Shares Traded on a Stock Exchange				2,726,362		1,226,863
3	Other Stocks						
4	**Total**				**2,726,362**		**1,226,863**

VIII. Explanations on Liquidity Risk

Liquidity risk may occur as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Bank's principal source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. The Bank also borrows medium and long-term funds from institutions abroad.

In order to meet the liquidity requirements that may arise due to market fluctuations, the Bank analyses TL and FC cash flows projections to preserve liquid assets. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and to avoid extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio means the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios for the year ended 2012 with their prior year comparatives are given below.

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
Current Period	**FC**	**FC + TL**	**FC**	**FC + TL**
Average (%)	150.28	150.51	97.72	109.76
Highest (%)	172.36	175.69	113.42	125.15
Lowest (%)	125.96	119.19	88.25	103.75

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
Prior Period	**FC**	**FC + TL**	**FC**	**FC + TL**
Average (%)	153.51	179.24	97.51	130.64
Highest (%)	213.52	271.05	116.48	170.87
Lowest (%)	115.11	122.44	82.60	107.70

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated[1]	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances	4,724,573	11,231,273						15,955,846
Banks	711,020	668,572	35,300	19,954				1,434,846
Financial Assets at Fair Value through Profit/Loss	56	281,958	250,533	313,257	413,930	113,602		1,373,336
Money Market Placements								
Financial Assets Available for Sale	63,417	1,204,976	390,101	4,103,426	11,653,559	8,931,424		26,346,903
Loans	12,188,320	12,596,600	8,177,509	25,131,028	39,658,358	8,963,955	426,384	107,142,154
Held to Maturity Investments		511,325	11	3,157,200	7,284,622			10,953,158
Other Assets		1,412,085	21,231	9,649	67,252		10,727,990	12,238,207
Total Assets	**17,687,386**	**27,906,789**	**8,874,685**	**32,734,514**	**59,077,721**	**18,008,981**	**11,154,374**	**175,444,450**
Liabilities								
Bank Deposits	244,191	2,162,983	387,544	251,233				3,045,951
Other Deposits	20,702,544	55,461,807	20,380,318	5,579,408	213,406			102,337,483
Funds Provided from Other Financial Institutions		300,204	379,733	6,629,966	2,709,235	728,416		10,747,554
Money Market Funds		12,273,358	4,544	377,794	469,114	394,289		13,519,099
Marketable Securities Issued [2]		997,897	1,556,806	2,011,425	1,797,988	1,804,451		8,168,567
Miscellaneous Payables		3,527,873	38,660	41,436	66,290			3,674,259
Other Liabilities		1,930,490	1,236,745	2,277,751	44,432		28,462,119	33,951,537
Total Liabilities	**20,946,735**	**76,654,612**	**23,984,350**	**17,169,013**	**5,300,465**	**2,927,156**	**28,462,119**	**175,444,450**
Liquidity Gap	**(3,259,349)**	**(48,747,823)**	**(15,109,665)**	**15,565,501**	**53,777,256**	**15,081,825**	**(17,307,745)**	
Prior Period								
Total Assets	17,129,821	23,385,591	9,827,928	26,746,333	54,788,701	20,472,682	9,317,448	161,668,504
Total Liabilities	18,626,781	79,111,086	18,430,204	17,144,110	4,654,532	1,294,931	22,406,860	161,668,504
Liquidity Gap	**(1,496,960)**	**(55,725,495)**	**(8,602,276)**	**9,602,223**	**50,134,169**	**19,177,751**	**(13,089,412)**	

(1) *Asset items, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which cannot be converted into cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in 'Unallocated".*

(2) *Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans ,are also included*

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

In compliance with the Turkish Financial Reporting Standard no.7, the following table indicates the maturities of the Bank's major financial assets and liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of collections and payments without discounting the assets and liabilities. The interest to be collected from and paid to the related assets and liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related assets and liabilities registered in balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	56	15,819	63,219	258,100	459,208	212,068	1,008,470	253,797	754,673
Banks	711,020	668,625	35,390	20,661			1,435,696	850	1,434,846
Financial Assets Available for Sale	63,417	1,504,071	619,398	4,994,235	14,227,319	11,334,342	32,742,782	6,395,879	26,346,903
Loans [1]	12,188,320	12,858,210	9,056,309	29,159,245	47,448,870	10,229,343	120,940,297	14,224,527	106,715,770
Investments Held to Maturity		515,270	292,581	3,750,520	8,098,198		12,656,569	1,703,411	10,953,158
Liabilities									
Deposits	20,946,735	57,776,498	20,948,449	5,957,463	231,148		105,860,293	476,859	105,383,434
Funds Provided from Other Financial Institutions		307,084	396,337	6,755,842	2,972,570	793,591	11,225,424	477,870	10,747,554
Money Market Funds		12,283,555	5,768	394,543	544,922	411,281	13,640,069	120,970	13,519,099
Marketable Securities Issued [2]		1,000,000	1,605,389	2,239,056	2,465,531	2,320,500	9,630,476	1,461,909	8,168,567

[1] Non-performing loans (Net) is not included in the table
[2] Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans ,are also included

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	54	4,065	15,387	67,631	651,327	111,114	849,578	190,101	659,477
Banks	649,508	1,548,169	1,146	55,751	510		2,255,084	748	2,254,336
Financial Assets Available for Sale		43,162					43,162	21	43,141
Loans	71,503	2,268,357	847,919	4,763,741	13,892,619	15,636,690	37,480,829	8,827,981	28,652,848
Investments Held to Maturity	9,488,164	12,108,431	7,525,840	25,096,584	39,576,961	9,720,272	103,516,252	11,895,614	91,620,638
		15,505	2,325,783	1,624,774	12,455,421		16,421,483	2,955,781	13,465,702
Liabilities									
Deposits	18,626,781	58,564,562	16,024,732	5,483,567	202,910		98,902,552	589,418	98,313,134
Funds Provided from Other Financial Institutions		230,442	935,549	6,646,705	3,205,843	617,016	11,635,555	487,347	11,148,208
Money Market Funds		15,563,407	207,513	2,695,244	427,397	779,808	19,673,369	212,299	19,461,070
Marketable Securities Issued		600,000	628,132	1,573,970	1,257,790		4,059,892	278,471	3,781,421

The following table shows the remaining maturities of non-cash loans of the Bank.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,043,693	372,527	631,597	1,495,739	41,691		4,585,247
Letters of Guarantee	13,464,796	642,626	1,343,974	3,973,423	2,488,947	337,628	22,251,394
Acceptances	45,351	168,374	343,971	698,964	41,590		1,298,250
Other	22,057	5,276	6,996	32,888	42,769	376,735	486,721
Total	**15,575,897**	**1,188,803**	**2,326,538**	**6,201,014**	**2,614,997**	**714,363**	**28,621,612**

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,894,169	261,317	468,377	1,502,279	44,326		5,170,468
Letters of Guarantee	11,109,755	235,171	1,380,447	3,785,303	2,381,053	289,605	19,181,334
Acceptances	15,700	91,858	168,474	559,977	36,982		872,991
Other	21,016	3,678	1,690	50,861	81,141	466,826	625,212
Total	**14,040,640**	**592,024**	**2,018,988**	**5,898,420**	**2,543,502**	**756,431**	**25,850,005**

The following table shows the remaining maturities of derivative financial assets and liabilities of the Bank.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts-Buy	2,181,845	1,109,347	1,585,745	167,416		5,044,353
Forwards Contracts-Sell	2,159,549	1,104,851	1,584,790	166,962		5,016,152
Swaps Contracts-Buy	5,192,537	1,501,917	5,690,904	7,806,874	1,642,977	21,835,209
Swaps Contracts-Sell	4,781,645	1,501,805	5,464,629	7,754,456	1,642,977	21,145,512
Futures Transactions-Buy						
Futures Transactions-Sell						
Options-Call	712,426	583,651	2,142,104	1,074,063	489,672	5,001,916
Options-Put	711,100	580,993	2,130,608	1,074,063	489,672	4,986,436
Other	380,080	2,212	40,338			422,630
Total	**16,119,182**	**6,384,776**	**18,639,118**	**18,043,834**	**4,265,298**	**63,452,208**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	1,594,874	1,912,865	4,209,468	332,494		8,049,701
Forwards Contracts- Sell	1,629,158	1,904,442	4,180,110	332,318		8,046,028
Swaps Contracts-Buy	4,005,766	530,145	1,842,066	11,477,057	2,232,738	20,087,772
Swaps Contracts-Sell	4,255,959	740,154	1,896,200	11,070,793	2,232,738	20,195,844
Futures Transactions-Buy						
Futures Transactions-Sell						
Options-Call	696,314	107,522	1,478,198	845,843	525,782	3,653,659
Options-Put	696,314	107,522	1,478,198	845,843	525,782	3,653,659
Other	285,736	194,101	287,864			767,701
Total	**13,164,121**	**5,496,751**	**15,372,104**	**24,904,348**	**5,517,040**	**64,454,364**

IX. Explanations on securitization positions

None.

X. Explanations on credit risk mitigation techniques:

Activities carried out by the bank that give rise to credit risk and collaterals are in accordance with the provisions of the relevant legislation. However, effect of credit risk mitigation techniques is not taken into account in the determination of the capital adequacy ratio.

XI. Explanations on risk management objectives and policies

In addition to banking activities, activities of the entire the group as a whole is exposed to financial and non-financial risks which are required to be analyzed, monitored and reported within specific risk management principles of the bank and with the perspective of Group risk management. The risk management process is organized within the framework of risk management and serves the creation of a common risk culture in corporate level; which brings "good corporate governance" to forefront, business units that undertaken risks and the independence between the internal audit and surveillance units are established, risk is defined in accordance with international regulations and in this context measurement, analysis, monitoring, reporting and control functions are carried.

Risk management process and the functions involved in the process is one of the primary responsibilities of the Board of Directors. The Risk Management Department, which operates under the Board of Directors has been organized as Asset-Liability Management Risk Unit, Credit Risk and Economic Capital Unit, Operational Risk and Model Verification and Subsidiary Risk Unit.

The Bank's risk management process is carried out within the framework of risk policies which are set by recommendations of Risk Management Department and issued by the Board of the Directors and written standards which contains risk policies and implemented by executive units.

These policies which are entered into force in line with the international practices are general standards which contains; organization and scope of the risk management function, risk measurement policies, duties and responsibilities of the risk management group, procedures for determining risk limits, ways to eliminate limit violations and approval and confirmation to be given in a variety of events and situations. The scope and content of the Bank's risk management system is given by the main risk types.

<u>Credit risk</u>

Credit risk is defined as the risk of the failure to comply with the requirements or failing to fulfill its obligations partially or totally of the counter side of the transaction contract with the Bank. The methodology and responsibilities of the credit risk management, controlling and monitoring and the framework of credit risk limitations specified with the credit risk policy.

The Bank defines, measures and manages credit risk of the all products and activities. Board of Directors review the Bank's credit risk policies and credit risk strategy on an annual basis as a minimum. Key Management is responsible for the implementation of credit risk policies which are approved by Board of Directors.

As a result of loans and credit risks analysis all findings are reported to Board of Directors and Key Management on a regular basis. In addition to transaction and company based credit risk assessment process, monitoring of credit risk also refers to an approach with monitoring and managing the credit as a whole maturity, sector, security, geography, currency, credit type and credit rating.

In the Bank's credit risk management, along the limits as required by legal regulations, the Bank utilizes the risk limits to undertake the maximum credit risk within risk groups or sectors that the Board of Directors determines. These limits are determined such a way that prevents risk concentration on particular sectors.

Excess risk limits up to legal requirements and boundaries limits are considered as an exception. The Board of Directors has the authority in exception process. The results of the control of risk limits and the evaluations of these limits are presented by Internal Audit and Risk Management Group to Key Management and Board of Directors.

The Bank uses credit decision support systems which are created for the purpose of credit risk management, lending decisions, controlling the credit process and credit provisioning. The consistency of the credit decision support systems with the structure of the Bank's activities, size and complexity is examined continuously by internal systems. Credit decision support systems contain the Risk Committee assessment and approval of Board of Directors.

<u>Asset and Liability Management Risk</u>

Asset-liability management risk defined as the risk of Bank's incurring loss due to managing all financial risks, that are inflicted from the Bank's assets, liabilities and off-balance sheet transactions, ineffectively. Trading book portfolio's market risk, structural interest rate risk and liquidity risk of the banking portfolio; are considered within the scope of the asset liability management.

All principles and procedures related to the generating and management of asset and liability structure and "Risk Appetite" related to the capital to be allocated, are determined by the Board of Director. Complying the established risk limits and being at the limits that stipulated by the legislation are the primary priority of Asset-liability management risk. Risk limits are determined by the Board of Directors by taking into consideration of the Bank's liquidity, target income level and general expectations about changes in risk factors and risk appetite.

Board of Directors and the Audit Committee are responsible for following the Bank's capital is used optimally; for this purpose, checking the status against risk limits and providing the necessary actions are taken.

Asset and Liability Management Committee is responsible for managing the Asset and Liability risk within the framework of operating principles that are involved in the risk appetite and risk limits are set by the Board of Directors in accordance with the policy statement.

Measurement of the Asset and Liability Management's risk, reporting of the measurement results and monitoring the compliance with risk limits are the responsibility of the Risk Management Department. The course of the risk taken is examined through different scenarios. The measurement results are tested in terms of reliability and integrity. Information related to asset-liability management risk is reported to the Board of Directors by the Department of Risk Management through the Risk Committee and the Audit Committee.

Asset and liability management processes and compliance with the provisions of the policy are controlled and audited by the internal audit system. The execution of the audit, reporting the audit results, action plans for the elimination of errors and gaps identified as a result of inspections regarding the fulfillment of the principles, are determined by the Board of Directors.

<u>Operational Risk</u>

Operational risk is defined as "the probability of loss due to the inadequate or failed internal processes, people, systems, external factors or legal risks". All risks except financial risks are considered within the scope of operational risk. Studies consisted and are formed of occur by execution of identification, definition, measurement, analysis, monitoring of operational risk, providing and reporting the necessary control related to monitoring the progress of our country and the world, the development of techniques and methods, necessary legal reporting, notification and conduct of follow-up transactions. Studies on the subject are conducted by the Department of Risk Management.

Operational risks that arise due to the activities are defined in "Bank Risk Catalogue" and classified in respect of species. Bank Risk Catalogue is kind of the fundamental document that used for identification and classification of all at the risk that may be encountered. It is updated in line with the changes in the nature of the processes and activities.

Qualitative and quantitative methods are used in a combination for measurement and evaluation of the operational risks. In this process, information use that obtained from "Impact-Probability Analysis", "Missing Event Data Analysis", "Risk Indicators" methods. Methods prescribed by legal regulations are applied as minimum in determining the capital requirement level for the operating risk.

All risks are assessed in the context of operational risk, loss events and the risk indicators same as operational risks that occurred in the Bank, are monitored on a regular basis by the Department of Risk Management and reported periodically to the Risk Committee and the Board of Directors.

XII. Explanations on Other Price Risks

Bank has investments in companies traded on the ISE is exposed to equity securities price risk. Shares are being acquired for investment purposes rather than.

The Bank's sensitivity to equity price risk at the reporting date an analysis was conducted to measure. In the analysis, with the assumption of all other variables were held constant (stock prices) are 10% higher or lower and is assumed that. According to this assumption in equity securities revaluation reserve account TL 549,635 (31.12.2011: TL 425,018) increase / decrease is expected to be. This, in fact, the fair value of publicly traded subsidiaries and associates the increase / decrease is due.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

XIII. Explanations on Presentation of Assets and Liabilities at Fair Value

1. Information on fair values of financial assets and liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Money Market Placements		43,141		43,141
Banks	1,434,846	2,254,336	1,435,488	2,255,204
Financial Assets Available for Sale	26,346,903	28,652,848	26,346,903	28,652,848
Investments Held to Maturity	10,953,158	13,465,702	11,737,347	14,145,880
Loans	107,142,154	91,620,638	109,328,315	91,315,884
Financial Liabilities				
Banks Deposits	3,045,951	2,248,137	3,047,971	2,245,736
Other Deposits	102,337,483	96,064,997	102,336,717	96,050,566
Funds Provided from Other Financial Institutions	10,747,554	11,148,208	10,780,406	11,132,274
Marketable Securities Issued (1)	8,168,567	3,781,421	8,368,707	3,746,361
Miscellaneous Payables	3,674,259	3,340,950	3,674,259	3,340,950

(1) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

Fair values of investments held to maturity and the marketable securities issued are determined by using the market prices; in cases where market prices cannot be measured, quoted market prices of other securities that are subject to amortization having similar interest, maturity and other conditions are taken as the basis for the fair value determination.

Market prices are taken into account in determining the fair values of the securities available for sale. When the prices cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values.

Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

2. Information on fair value measurements recognized in the financial statements

"TFRS 7 - Financial Instruments: Disclosures" standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the balance sheet at their values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	743,081	4,978	6,558
Equity Securities	56		
Derivative Financial Assets Held for Trading		618,663	
Other			
Financial Assets Available-for-Sale (1)			
Debt Securities	20,011,555	5,043,551	1,228,380
Other		48,333	
Investments in Subsidiaries and Associates (2)	5,496,345		
Derivative Financial Liabilities		737,284	

(1) Since they are not traded in an active market, the equity securities (TL 15,084) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.
(2) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of "TAS 39", these companies are not included in the table.

Prior Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	654,700	4,241	482
Equity Securities	54		
Derivative Financial Assets Held for Trading		916,534	
Other			
Financial Assets Available-for-Sale (1)			
Debt Securities	16,323,600	5,905,679	6,352,066
Other		57,881	
Investments in Subsidiaries and Associates (2)	4,250,180		
Derivative Financial Liabilities		857,882	

(1) Since they are not traded in an active market, the equity securities (TL 13,622) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.
(2) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

The movement table of financial assets at level 3 is given below.

	Current Period	Prior Period
Balance at the Beginning of the Period	6,352,548	8,281,723
Purchases	25,603	1,921,320
Redemption or Sales	(2,957,158)	(3,265,512)
Valuation Difference	(135,885)	1,338,235
Transfers	(2,050,170)	(1,923,218)
Balance at the end of the Period	**1,234,938**	**6,352,548**

XIV. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions

The Bank gives trading, custody, fund management services in the name and on the account of its customers. The Bank has no fiduciary transactions.

XV. Explanations on Segment Reporting

The Bank's operations are classified as corporate, commercial, retail and private banking, and treasury/investment banking.

The Bank provides services to the large corporations, SMEs and other trading companies through various financial media within the course of its corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantees, letter of credits, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

Retail banking services are comprised of individuals needs such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. Private banking category, are comprised of any kind of financial and cash management related services provided for individuals within the high-income segment.

Treasury transactions are comprised of medium and long term funding tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations.

The Bank's investments in associates and subsidiaries operating in the financial and non-financial sectors are evaluated within the context of investment banking. The details about the aforementioned investments are stated in note I.i and I.j section of Five.

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Statement of information related to business segmentation is given below.

Current Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							**13,390,415**
Interest Income from Loans	1,878,217	4,466,142	3,076,112	45,054		219,994	9,685,519
Interest Income from Banks					12,284		12,284
Interest Income from Securities					3,650,118		3,650,118
Other Interest Income					407	42,087	42,494
Interest Expense							**7,462,498**
Interest Expense on Deposits	1,180,937	955,887	1,773,124	1,251,535		308,044	5,469,527
Interest Expense on Funds Borrowed					259,778		259,778
Interest Expense on Money Market Transactions					1,221,163		1,221,163
Interest Expense on Securities Issued					438,540		438,540
Other Interest Expense						73,490	73,490
Net Interest Income							**5,927,917**
Net Fees and Commissions Income							**1,706,227**
Fees and Commissions Received	203,439	419,068	574,114	17,106		704,870	1,918,597
Fees and Commissions Paid						212,370	212,370
Dividend Income					417,703		**417,703**
Trading Income/Loss (Net)					590,390		**590,390**
Other Income	17,932	356,260	305,082	277	108,303	384,290	**1,172,144**
Prov. For Loans and Other Receivables	19,673	427,490	244,815	868	26,964	489,312	**1,209,122**
Other Operating Expense	204,825	801,220	1,555,040	73,774		1,849,447	**4,484,306**
Income Before Tax							**4,120,953**
Tax Provision							**810,646**
Net Period Profit							**3,310,307**
SEGMENT ASSETS							
Financial Assets at FV Through P/L					1,373,336		1,373,336
Banks and Other Financial Institutions					1,434,846		1,434,846
Financial Assets Available for Sale					26,346,903		26,346,903
Loans	36,942,125	39,850,812	27,097,088	403,235		2,848,894	107,142,154
Held to Maturity Investments					10,953,158		10,953,158
Associates and Subsidiaries					7,699,954		7,699,954
Other						20,494,099	20,494,099
							175,444,450
SEGMENT LIABILITIES							
Deposits	23,541,186	19,314,523	41,607,322	17,726,355		3,194,048	105,383,434
Derivative Financial Liabilities Held for Trading					737,284		737,284
Funds Borrowed					10,747,554		10,747,554
Money Market Funds					13,519,099		13,519,099
Securities Issued [(1)]					8,168,567		8,168,567
Other Liabilities						8,789,362	8,789,362
Provisions						5,380,105	5,380,105
Shareholders' Equity						22,719,045	22,719,045
							175,444,450

[(1)] Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							**10,898,384**
Interest Income from Loans	1,649,852	3,111,744	2,140,921	59,886		171,222	7,133,625
Interest Income from Banks					17,570		17,570
Interest Income from Securities					3,721,515		3,721,515
Other Interest Income					68	25,606	25,674
Interest Expense							**6,336,584**
Interest Expense on Deposits	1,119,596	660,457	1,264,055	1,838,853		94,271	4,977,232
Interest Expense on Funds Borrowed					229,383		229,383
Interest Expense on Money Market Transactions					883,289		883,289
Interest Expense on Securities Issued					208,048		208,048
Other Interest Expense						38,632	38,632
Net Interest Income							**4,561,800**
Net Fees and Commissions Income							**1,428,583**
Fees and Commissions Received	138,514	372,673	507,099	42,407		533,674	1,594,367
Fees and Commissions Paid						165,784	165,784
Dividend Income					555,702		**555,702**
Trading Income/Loss (Net)					306,073		**306,073**
Other Income	23,339	404,328	424,917	212	62,484	395,834	**1,311,114**
Prov. For Loans and Other Receivables	52,172	455,254	201,205	122	21,730	653,310	**1,383,793**
Other Operating Expense	209,172	828,061	1,494,299	138,511		811,156	**3,481,199**
Income Before Tax							**3,298,280**
Tax Provision							**630,793**
Net Period Profit							**2,667,487**
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L					1,576,011		1,576,011
Banks and Other Financial Institutions					2,297,477		2,297,477
Financial Assets Available for Sale					28,652,848		28,652,848
Loans	34,371,428	33,365,590	20,797,619	646,719		2,439,282	91,620,638
Investments Held to Maturity					13,465,702		13,465,702
Associates and Subsidiaries					6,275,017		6,275,017
Other						17,780,811	17,780,811
							161,668,504
SEGMENT LIABILITIES							
Deposits	22,190,859	15,866,143	31,782,919	26,724,791		1,748,422	98,313,134
Derivative Financial Liabilities Held for Trading					857,882		857,882
Funds Borrowed					11,148,208		11,148,208
Money Market Funds					19,461,070		19,461,070
Securities Issued					3,781,421		3,781,421
Other Liabilities						5,980,499	5,980,499
Provisions						4,204,926	4,204,926
Shareholders' Equity						17,921,364	17,921,364
							161,668,504

SECTION FIVE: DISCLOSURES AND FOOTNOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. DISCLOSURES AND FOOTNOTES ON ASSETS

a. Cash and Central Bank of Turkey:

a.1. Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash in TL / Foreign Currency	1,063,603	594,193	796,329	324,116
Central Bank of Turkey	1,530,312	12,668,939	4,267,773	8,237,668
Other		98,799		111,019
Total	**2,593,915**	**13,361,931**	**5,064,102**	**8,672,803**

a.2. Information on balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposit	1,530,312	1,437,666	4,267,773	1,421,355
Unrestricted Time Deposit				
Restricted Time Deposit				
Other [(1)]		11,231,273		6,816,313
Total	**1,530,312**	**12,668,939**	**4,267,773**	**8,237,668**

(1) *The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities*

a.3. Information on reserve requirements:

As per the Communiqué no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey (CBT), banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11% for TL deposits and other liabilities, between 9%-11.5% for FC deposits and between 6%-11.5% for other FC liabilities. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

b. Information on Financial Assets at Fair Value through Profit and Loss:

b.1. Financial Assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as of 31 December 2012 are amounting to TL 97 (31 December 2011: TL 68).

b.2. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as of 31 December 2012 are amounting to TL 717,170 (31 December 2011: TL 468,125).

c. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	64,342	10,695	22,758	123,792
Swap Transactions	77,827	424,280	5,214	735,118
Futures				
Options	6,279	32,731	262	26,534
Other		2,509		2,856
Total	**148,448**	**470,215**	**28,234**	**888,300**

d. Information on Banks:

d.1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	9,146	279,888	147,221	403,078
Foreign Banks	94,991	1,050,821	92,874	1,611,163
Foreign Head Office and Branches				
Total	**104,137**	**1,330,709**	**240,095**	**2,014,241**

d.2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	696,358	781,594		
USA, Canada	129,382	194,698	89	94
OECD Countries (1)	10,572	446,841		
Off-shore Banking Regions				
Other	242,308	219,099	67,103	61,711
Total	**1,078,620**	**1,642,232**	**67,192**	**61,805**

(1) OECD countries other than the EU countries, USA and Canada

e. Information on Financial Assets Available for Sale:

e.1. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked, amount to TL 1,949,912 as of 31 December 2012 (31 December 2011: TL 999,533).

e.2. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale, which are subject to repurchase agreements amount to TL 9,563,102 as of 31 December 2012 (31 December 2011: TL 16,798,951).

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f. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	26,308,601	28,791,593
Quoted on a Stock Exchange	20,035,781	16,511,612
Not-Quoted (1)	6,272,820	12,279,981
Share Certificates	15,084	13,622
Quoted on a Stock Exchange		
Not-Quoted	15,084	13,622
Value Increase / Impairment Losses (-)	25,115	210,248
Other	48,333	57,881
Total	**26,346,903**	**28,652,848**

(1) Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

g. Information related to loans:

g.1. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	180,615	69	455,535	
Total	**180,615**	**69**	**455,535**	

g.2. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled, loans and receivables amended on conditions of contract:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other receivables (Total)	Amendments on Conditions of Contract	
		Extension of the payment plan	Other		Extension of the payment plan	Other
Non-specialized loans	**104,824,239**	**1,388,765**	**391,105**	**1,891,531**	**341,364**	**124,869**
Corporation Loans	48,840,411	241,932	7,323	641,807	66,308 (1)	123,868
Export Loans	6,865,019	2,939	2,585	76,653		
Import Loans						
Loans Given to Financial Sector	2,660,394					
Consumer Loans	21,771,592	1,114,146	327,128	606,899	78,684	672
Credit Cards	8,371,796		421	346,169	160,869	
Other	16,315,027	29,748	53,648	220,003	35,503	329
Specialized Loans						
Other Receivables						
Total	**104,824,239**	**1,388,765**	**391,105**	**1,891,531**	**341,364**	**124,869**

(1) Make the Amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Number of Amendments Related to the Extension of the Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 Times	1,374,512	156,256 [(1)]
Extended for 3,4 or 5 Times	13,263	184,876
Extended for More than 5 Times	990	232

[(1)] Make the amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

The Time Extended via the Amendment on Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	240,543	15,334
6 Months – 12 Months	322,208	55,123
1 – 2 Years	540,129	84,840
2 –5 Years	116,536	106,394 [(1)]
5 Years and More	169,349	79,673 [(1)]

[(1)] Make the amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

g.3. Information on Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans and Other Receivables	36,505,840	77,750	527,272	47,139
Non-Specialization Loans	36,505,840	77,750	527,272	47,139
Specialization Loans				
Other Receivables				
Medium and Long-term Loans and Other Receivables	68,318,399	1,702,120	1,364,259	419,094
Non- Specialization Loans	68,318,399	1,702,120	1,364,259	419,094 [(1)]
Specialization Loans				
Other Receivables				

[(1)] Make the amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

g.4. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans – TL	563,153	21,200,707	169,037	21,932,897
Real Estate Loans	24,577	9,349,574	80,181	9,454,332
Vehicle Loans	28,920	1,277,982	8,024	1,314,926
General Purpose Consumer Loans	57,042	3,300,152	24,820	3,382,014
Other Consumer Loans	452,614	7,272,999	56,012	7,781,625
Consumer Loans – FC Indexed		52,470	30,770	83,240
Real Estate Loans		52,419	30,756	83,175
Vehicle Loans		51	14	65
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans – FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Retail Credit Cards – TL	7,251,796	703,972	48,216	8,003,984
With Installments	3,157,246	703,972		3,861,218
Without Installments	4,094,550		48,216	4,142,766
Retail Credit Cards – FC				
With Installments				
Without Installments				
Personnel Loans-TL	6,921	55,659	637	63,217
Real Estate Loans		843	211	1,054
Vehicle Loans	108	1,899	12	2,019
General Purpose Consumer Loans	2,920	32,444	256	35,620
Other Consumer Loans	3,893	20,473	158	24,524
Personnel Loans- FC Indexed		512	266	778
Real Estate Loans		512	266	778
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans – FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Credit Cards – TL	108,234		427	108,661
With Installments	47,709			47,709
Without Installments	60,525		427	60,952
Personnel Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (real persons)	288,827		9,532	298,359
Overdraft Accounts – FC (real persons)				
Total	**8,218,931**	**22,013,320**	**258,885**	**30,491,136**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

g.5. Information on commercial installments loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Installments-TL	1,109,475	13,299,565	130,616	14,539,656
Real Estate Loans	4,472	508,702	3,536	516,710
Vehicle Loans	67,543	2,679,993	17,109	2,764,645
General Purpose Commercial Loans	1,031,404	9,796,520	103,720	10,931,644
Other Commercial Loans	6,056	314,350	6,251	326,657
Commercial Loans With Installments-FC Indexed	42,890	1,343,567	88,002	1,474,459
Real Estate Loans		64,854	7,384	72,238
Vehicle Loans	2,161	574,882	34,599	611,642
General Purpose Commercial Loans	40,729	674,339	42,275	757,343
Other Commercial Loans		29,492	3,744	33,236
Commercial Loans With Installments-FC	203	330,919	4,642	335,764
Real Estate Loans				
Vehicle Loans				
General Purpose Commercial Loans				
Other Commercial Loans	203	330,919	4,642	335,764
Corporate Credit Cards-TL	595,789	4,240	5,291	605,320
With Installments	105,746	4,240		109,986
Without Installments	490,043		5,291	495,334
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (corporate)	753,650		18,801	772,451
Overdraft Accounts – FC (corporate)				
Total	**2,502,007**	**14,978,291**	**247,352**	**17,727,650**

g.6. Allocation of loan by borrowers:

	Current Period	Prior Period
Public Sector	1,965,493	2,165,724
Private Sector	105,176,661	89,454,914
Total	**107,142,154**	**91,620,638**

g.7. Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	105,715,828	90,231,711
Foreign Loans	1,426,326	1,388,927
Total	**107,142,154**	**91,620,638**

g.8. Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	343,580	538,653
Indirect Loans Granted to Subsidiaries and Associates		
Total	**343,580**	**538,653**

g.9. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	54,050	172,457
Loans and Receivables with Doubtful Collectability	215,259	198,775
Uncollectible Loans and Receivables	1,329,574	1,612,688
Total	**1,598,883**	**1,983,920**

g.10. Information on non-performing loans (Net):

g.10.1. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period			
(Gross amounts before the specific provisions)	**1,839**	**22,526**	**21,600**
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	1,839	22,526	21,600
Prior Period			
(Gross amounts before the specific provisions)	**3,747**	**4,521**	**17,602**
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	3,747	4,521	17,602

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

g.10.2.

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Prior Period Ending Balance	**172,457**	**198,775**	**1,612,688**
Corporate and Commercial Loans	119,278	78,941	1,083,344
Retail Loans	21,049	31,288	230,865
Credit Cards	32,130	43,518	298,479
Other		45,028	
Additions (+)	**1,013,699**	**58,457**	**81,166**
Corporate and Commercial Loans	558,284	18,386	38,964
Retail Loans	230,650	32,130	32,156
Credit Cards	224,765	7,012	6,863
Other		929	3,183
Transfers from Other NPL categories (+)		**755,661**	**456,024**
Corporate and Commercial Loans		468,353	244,747
Retail Loans		136,455	74,232
Credit Cards		150,853	91,629
Other			45,416
Transfers to Other NPL categories (-)	**755,661**	**456,024**	
Corporate and Commercial Loans	468,353	244,747	
Retail Loans	136,455	74,232	
Credit Cards	150,853	91,629	
Other		45,416	
Collections (-) [1]	**163,315**	**125,862**	**472,860**
Corporate and Commercial Loans	77,147	60,140	298,596
Retail Loans	35,214	28,356	92,076
Credit Cards	50,954	36,931	81,535
Other		435	653
Write-Offs (-) [1]	**227**	**2,267**	**347,444**
Corporate and Commercial Loans	14	1,431	138,149
Retail Loans	171	294	69,592
Credit Cards	42	436	139,303
Other		106	400
Current Period Ending Balance	**266,953**	**428,740**	**1,329,574**
Corporate and Commercial Loans	132,048	259,362	930,310
Retail Loans	79,859	96,991	175,585
Credit Cards	55,046	72,387	176,133
Other			47,546
Specific Provisions (-)	**54,050**	**215,259**	**1,329,574**
Corporate and Commercial Loans	26,678	130,185	930,310
Retail Loans	16,249	48,761	175,585
Credit Cards	11,123	36,313	176,133
Other			47,546
Net Balance on Balance Sheet	**212,903**	**213,481**	

[1] Portfolio of non-performing loans in the current year, part of the 136,641 TL which is consisting of 223 TL receivables previously written off transferred to the Girisim Varlık A.S. as a value of 28,656. Part of the 285,619 TL which is consisting of 1,442 TL receivables previously written off transferred to the LBT Varlık Yönetim A.S. as a value of 50,127 TL.

g.10.3. Information on foreign currency non-performing loans and other receivables:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance		154	31,989
Specific Provisions (-)		154	31,989
Net Balance on Balance Sheet			
Prior Period:			
Period Ending Balance			51,371
Specific Provisions (-)			51,371
Net Balance on Balance Sheet			

g.10.4. Information on gross and net non-performing loans and receivables as per customer categories:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)	**212,903**	**213,481**	
Loans to Individuals and Corporate (Gross)	266,953	428,740	1,282,028
Specific Provisions (-)	54,050	215,259	1,282,028
Loans to Individuals and Corporate (Net)	212,903	213,481	
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)			47,546
Specific Provisions (-)			47,546
Other Loans and Receivables (Net)			
Prior Period (Net)			
Loans to Individuals and Corporate (Gross)	172,457	153,747	1,612,688
Specific Provisions (-)	172,457	153,747	1,612,688
Loans to Individuals and Corporate (Net)			
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)		45,028	
Specific Provisions (-)		45,028	
Other Loans and Receivables (Net)			

g.10.5. Main principles of liquidating for uncollectible loans and other receivables

In order to ensure the liquidation of non-performing loans, all possibilities evaluated to ensure maximum collection according to the legislation. First of all, administrative initiatives are taken to deal with the borrower. Collection through legal proceedings used if there is no possibility of collection and configuration with the interviews for other receivables.

g.10.6. Informations on write-off policy

When the failure to obtain due to lack of legal follow-up, because of the absence of redeemable assets of debtors or although conversion of all the assets of debtors with the scope of legal follow-up, there is a remaining receivable balance, receivable, by such evidence is available on borrowers, reduced to one. Such evidence cannot be obtained, uncollectible receivables are written-off by the destruction.

h. Held to Maturity Investments:

h.1. Held to maturity investments given as collateral or blocked:

Held to maturity investments given as collateral or blocked amount to TL 1,735,349 as of 31 December 2012 (31 December 2011: TL 1,963,141).

h.2. Held to maturity investments subject to repurchase agreements:

Held to maturity investments, which are subject to repurchase agreements amount to TL 4,200,685 as of 31 December 2012 (31 December 2011: TL 4,479,021).

h.3. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	10,937,646	13,444,975
Treasury Bills		
Other Public Debt Securities		
Total	**10,937,646**	**13,444,975**

h.4. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	10,953,158	13,465,702
Quoted on a Stock Exchange	10,937,646	13,444,975
Not Quoted	15,512	20,727
Impairment Losses (-)		
Total	**10,953,158**	**13,465,702**

h.5. Movement of held to maturity investments within the year:

	Current Period	Prior Period
Beginning Balance	13,465,702	13,603,985
Foreign Exchange Differences Arising on Monetary Assets	346	2,421
Purchases During the Year	14,913	14,227
Disposals through Sales and Redemption	(2,913,716)	(590,340)
Impairment Losses (-)		
Valuation effect	385,913	435,409
Balance at the End of the Period	**10,953,158**	**13,465,702**

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i. Information on associates (Net):

i.1. General information on associates:

No.	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	20.58
2-	Avea İletişim Hizmetleri A.Ş. [1]	İstanbul/TURKEY	7.44	10.00
3-	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	9.98	9.98
4-	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	9.09	9.09

(1) *Within the framework of not exercising its preferential rights in the cash capital increase of Avea İletişim Hizmetleri A.Ş. during the related period, the Bank's share in the aforementioned associate declined to 7.44% from 13.86% and the Group's share declined to 10.00% from 18.63%.*

i.2. Information on financial statements of associates in the above order [1]:

No.	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income [2]	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1-	2,809,236	421,475	29,610	128,219	70	59,860	47,834	
2-	10,953,269	4,522,104	9,641,707	37,981		(1,040,680)	(962,939)	
3-	25,225	18,484	10,344	1,116		2,619	1,465	
4-	40,326	34,266	3,101	2,526		18,566	13,630	

(1) *Indicates the financial data of Arap Türk Bankası A.Ş. as of 31 December 2012, the financial data of other associates as of 31 December 2011.*
(2) *Includes interest income on securities.*

i.3. Movement of investments in associates:

	Current Period	Prior Period
Beginning Balance	743,915	743,262
Movements During the Period		
Purchases [1]		653
Bonus Shares Acquired		
Dividends Received from Current Year Profit		
Sales		
Revaluation Increase		
Impairment		
Balance at the end of the period	743,915	743,915
Capital commitments		
Contribution in equity at the end of the period (%)		

(1) *Corresponds to the acquisitions related to capital increases through retained earnings.*

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i.4. Sectoral information on financial associates and the related carrying amounts:

Associates	Current Period	Prior Period
Banks	85,295	85,295
Insurance Companies		
Factoring Companies		
Leasing Companies		
Finance Companies		
Other Financial Participations		

i.5. Associates quoted on a stock exchange: None.

i.6. Associates disposed of in the current period: None.

i.7. Associates acquired in the current period: None.

j. Information on subsidiaries (Net):

j.1. Information on equity adequacy of major subsidiaries

	Türkiye Sınai Kalkınma Bankası A.Ş.	Insurance / Reinsurance companies (1)	İş Gayrimenkul Yatırım Ortaklığı A.Ş. (1)	İş Yatırım Menkul Değerler A.Ş. (1)	İş Finansal Kiralama A.Ş.
Core Capital	**1,782,340**	**1,587,547**	**1,053,790**	**793,897**	**554,351**
Paid-in Capital	1,100,374	1,415,000	840,146	286,000	389,000
Share Premium	388		424	1,302	
Reserves	230,950	290,585	16,519	26,205	112,907
Current Period's Profit and Prior Periods' Profit	369,263	(61,922)	196,997	128,532	40,805
Non-Controlling Rights	84,258			360,983	13,004
Deductions From Core Capital	(2,893)	(56,116)	(296)	(9,125)	(1,365)
Supplementary Capital	**190,483**	**27,649**		**1,630**	**5,603**
Capital	**1,972,823**	**1,615,196**	**1,053,790**	**795,527**	**559,954**
Deductions From Capital	**(210,420)**				
Consolidated Capital	**1,762,403**	**1,615,196**	**1,053,790**	**795,527**	**559,954**

(1) *These are as at 30 September 2012 values.*

j.2. General information on subsidiaries:

No	Title	Address (City/ Country)	Bank's Share Percentage-if Different, Voting Rights (%)	Bank's Risk Group Share Percentage (%)
1-	Anadolu Hayat Emeklilik A.Ş.	Istanbul/TURKEY	62.00	83.00
2-	Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik Sanayi Ticaret A.Ş.	Izmir/ TURKEY	99.89	99.99
3-	Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	Ankara/ TURKEY	86.90	98.29
4-	Camiş Yatırım Holding A.Ş.	Istanbul/ TURKEY	99.97	100.00
5-	Closed Joint Stock Company İşbank	Moskova/RUSSIA	100.00	100.00
6-	İş Finansal Kiralama A.Ş.	Istanbul/ TURKEY	27.79	57.39
7-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/ TURKEY	42.23	58.04
8-	İş Merkezleri Yönetim ve İşletim A.Ş.	Istanbul/ TURKEY	86.33	100.00
9-	İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	Istanbul/ TURKEY	94.65	100.00
10-	İş Yatırım Menkul Değerler A.Ş.	Istanbul/ TURKEY	65.65	70.69
11-	İşbank AG (1)	Frankfurt-Main/GERMANY	100.00	100.00
12-	Kültür Yayınları İş-Türk Limited Şirketi	Istanbul/ TURKEY	99.17	100.00
13-	Milli Reasürans T.A.Ş.	Istanbul/ TURKEY	76.64	77.06
14-	Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş.	Istanbul/ TURKEY	99.98	100.00
15-	Nemtaş Nemrut Liman İşletmeleri A.Ş.	Izmir/ TURKEY	99.81	100.00
16-	Trakya Yatırım Holding A.Ş.	Istanbul/ TURKEY	65.34	100.00
17-	Türkiye Sınai Kalkınma Bankası A.Ş.	Istanbul/ TURKEY	40.52	50.00
18-	Türkiye Şişe ve Cam Fabrikaları A.Ş.	Istanbul/ TURKEY	65.47	73.69

(1) *İşbank Gmbh is occupier in Germany, the title was changed to İşbank AG, with this change in the status of the company transformed into a limited liability company, joint-stock company*

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

j.3. Financial statement information related to subsidiaries in the above order [(1)]:

No	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income [(2)]	Securities Income	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value	Additional Shareholders' Equity Required
1-	6,784,753	489,168	24,420	131,966	14,175	61,737	49,205	1,263,000	
2-	47,724	28,771	7,438	1		(3,803)	(2,798)		
3-	130,733	6,271	91,209	6	1	(45,780)	(30,714)		
4-	121,208	121,195		380	19,416	18,995	8,159		
5-	378,386	113,111	42,784	20,898	8	(2,479)	(321)		
6-	2,820,322	565,798	2,462	164,043	2,272	41,801	54,266	396,780	
7-	1,304,177	1,054,086	1,109,892	5,384	723	49,614	30,250	900,000	
8-	33,728	15,732	8,796	1,308	1,889	6,053	4,510		
9-	39,368	32,588	17,416	121	1,196	11,620	3,571		
10-	3,643,744	801,773	19,070	125,232	80,734	100,559	70,889	471,900	
11-	2,366,046	262,055	42,817	113,306	6,254	15,188	13,969		
12-	13,493	5,265	694		26	1,697	761		
13-	1,763,914	658,398	45,616	78,429	35,460	98,349	(144,737)		
14-	22,938	22,937	1,147	521	12	197	(2,177)		
15-	354,260	227,659	205,524	114	3,296	(19,383)	1,240		
16-	436,621	436,621			86	57	71		
17-	10,857,318	1,919,002	266,176	613,037	13,209	325,151	258,620	2,519,000	
18-	8,492,681	5,376,874	4,183,792	48,580	40	290,393	582,899	4,425,000	

(1) *Indicates financial data of Closed Joint Stock Company İşbank, İş Finansal Kiralama A.Ş., İşbank AG, Milli Reasürans T.A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. are as at 31 December 2012; Anadolu Hayat Emeklilik A.Ş., İş Gayrimenkul Yatırım Ortaklığı A.Ş., İş Yatırım Menkul Değerler A.Ş.and Türkiye Şişe ve Cam Fabrikaları A.Ş.are as at 30 September 2012; and the financial data of other companies are as of 31 December 2011.*

(2) *Includes interest income on securities.*

j.4. Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	5,531,102	5,520,777
Movements in the Period		
Purchases [(1)]	369,313	585,464
Bonus Shares Acquired		
Dividends Received from Current Year Profit		
Sales		
Revaluation Surplus [(2)]	997,530	(557,253)
Impairment	58,094	(17,886)
Balance at the End of the Period	6,956,039	5,531,102
Capital Commitments		
Contribution in equity at the end of the period (%)		

(1) *TL 366,313 recognized in the current period is comprised of the following: TL 65,594, TL 22,152 and 2,390 is participation in the cash capital increases of Closed Joint Stock Company İşbank , Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş and Kültür Yayınları İş-Türk Ltd. Şti. respectively. TL 7,316 is the remaining amount of USD 4 million payment mentioned in the Share Acquisition Agreement of Closed Joint Stock Company İşbank's purchase. And the rest is due to acquisitions related to the capital increases of subsidiaries through profit reserves.*

(2) *The relevant amounts represent the increases and decreases in the market value of participations traded on the stock exchange.*

j.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Subsidiaries	Current Period	Prior Period
Banks	1,386,942	793,824
Insurance Companies	1,230,445	968,185
Factoring Companies		
Leasing Companies	110,282	107,413
Finance Companies		
Other Financial Subsidiaries	692,465	500,041
Total	**3,420,134**	**2,369,463**

j.6. Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	5,496,345	4,250,180
Traded on foreign stock exchanges		
Total	**5,496,345**	**4,250,180**

j.7. Subsidiaries disposed of in the current period: None.

j.8. Subsidiaries acquired in the current period: None.

k. Information on jointly controlled entities:

There are no jointly controlled entities of the Bank.

l. Information regarding finance lease receivables of the Bank (Net):

The Bank has no finance lease receivables.

m. Information on derivative financial assets held for risk management:

The Bank has no derivative financial assets held for risk management.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

n. Information on Tangible Assets [1] (Net):

Current Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,512,507	8,767	15,461	1,337,556	4,874,291
Movements in the Period					
- Acquisitions	171,000	12,834	830	175,974	360,638
- Disposals	(167,712)	(7,935)	(2,753)	(24,431)	(202,831)
- Transfers	(70,975)	(8,042)			(79,017)
- Impairment (-) [2]	7,885				7,885
Balance at the End of the Current Period	3,452,705	5,624	13,538	1,489,099	4,960,966
Accumulated Depreciation					
Balance at the Beginning of the Period	(2,182,992)		(12,659)	(818,806)	(3,014,457)
Movements in the Period					
- Depreciation Charge	(49,992)		(1,373)	(134,015)	(185,380)
- Disposals	47,520		2,752	9,507	59,779
- Transfers					
- Impairment (-)					
Balance at the End of the Current Period	(2,185,464)		(11,280)	(943,314)	(3,140,058)
Prior Year Net Book Value	1,329,515	8,767	2,802	518,750	1,859,834
Net Book Value at the End of the Current Period	**1,267,241**	**5,624**	**2,258**	**545,785**	**1,820,908**

[1] As at the balance sheet date, the Bank's book value of tangible assets acquired through financial leasing 466 TL (2011: 5,544 TL), and there is no entry in the current period. Book value of tangible fixed assets is during the year which is obtained from the 159,137 TL (2011: 44,811 TL).
[2] Expertise in accordance with the revised the fair value of property and/or disposed, which are reversed in the provision for impairment.

Prior Period [1]	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,538,392	11,566	15,305	1,142,648	4,707,911
Movements in the Period					
- Acquisitions	39,296	6,848	297	248,514	294,955
- Disposals	(68,608)	(86)	(613)	(53,134)	(122,441)
- Transfers	3,374	(9,561)	472	(472)	(6,187)
- Impairment (-) [2]	53				53
Balance at the End of the Current Period	3,512,507	8,767	15,461	1,337,556	4,874,291
Accumulated Depreciation					
Balance at the Beginning of the Period	(2,148,556)		(11,238)	(716,232)	(2,876,026)
Movements in the Period					
- Depreciation Charge	(48,682)		(2,046)	(119,042)	(169,770)
- Disposals	14,246		549	16,544	31,339
- Transfers			76	-76	
- Impairment (-)					
Balance at the End of the Current Period	(2,182,992)		(12,659)	(818,806)	(3,014,457)
Prior Year Net Book Value	1,389,836	11,566	4,067	426,416	1,831,885
Net Book Value at the End of the Current Period	**1,329,515**	**8,767**	**2,802**	**518,750**	**1,859,834**

[1] As at the balance sheet date, the Bank's book value of tangible assets acquired through financial leasing 5,544 TL (2010:21,634 TL), and there is no entry in the current period. Book value of tangible fixed assets is during the year which is obtained from the 44,811 TL (2010:89,935 TL).
[2] Expertise *in accordance with the revised the fair value of property, which is increased are reversed in the provision for impairment.*

o. Information on Intangible Assets:

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	256,885	179,560
Movements in the Period		
- Acquisitions	109,778	79,755
- Disposals		(2,430)
- Impairment		
Balance at the End of the Period	366,663	256,885
Accumulated Amortization		
Balance at the Beginning of the Period	193,208	146,941
Movements in the Period		
- Amortization Charge (-)	68,548	46,358
- Disposals		(91)
- Impairment		
Balance at the End of the Current Period	261,756	193,208
Net Book Value at the End of the Prior Period	63,677	32,619
Net Book Value at the End of the Period	**104,907**	**63,677**

p. Information on investment property:

The Bank has not any investment properties.

r. Information on deferred tax asset:

As of 31 December 2012, the Bank has deferred tax asset amounting to TL 594,491. Such deferred tax asset is calculated based on the temporary differences between the book value of the Bank's assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items. As of 31 December 2012, the Bank has no tax asset measured over the period loss or tax relief.

	Current Period	Prior Period
Deferred Tax (Asset)/Liability:		
Tangible Assets Base Differences	28,419	27,755
Provisions [1]	(462,737)	(417,880)
Valuation of Financial Assets	(162,872)	(80,559)
Other	2,699	(17,929)
Net Deferred Tax (Asset)/Liability:	(594,491)	(488,613)

[1] Comprised of employee termination benefits, actual and technical deficits of the pension fund, the provisions for credit card bonus points, and other provisions.

The Movement of deferred tax assets are as follows:

	Current Period	Prior Period
Balance at Beginning of Period	488,613	715,338
Deferred Tax Income/ (Expense) (Net)	306,871	(334,730)
Deferred tax under Equity Accounting	(200,993)	108,005
Deferred Tax Asset	594,491	488,613

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

s. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Balance at the Beginning of the Period	59,803	53,955
Additions	1,012	65,988
Transfers (Net)	79,017	6,187
Disposals (Net)	(65,548)	(63,576)
Impairment Losses (-)		
Depreciation	(1,314)	(2,751)
Balance at the End of the Period	72,970	59,803

The Bank has no discontinued operations. The assets classified as “Assets Held for Sale” consist of real estates. Those real estates subject to sale are announced on the Bank’s web site. Announcements about the real estates subject to sale are also made by means of newspaper advertisements and similar media.

t. Information on Other Assets:

The “other assets” item of the balance sheet does not exceed 10% of total assets.

II. DISCLOSURES AND FOOTNOTES ON LIABILITIES

a. Information on Deposits:

a.1. The maturity structure of deposits (Current period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,580,363		4,031,259	30,161,742	897,622	328,138	454,004		41,453,128
Foreign Currency Deposits	6,692,214		5,783,009	16,690,009	1,593,172	501,996	4,191,082		35,451,482
Residents in Turkey	6,166,298		5,205,093	15,501,343	1,044,582	314,620	2,084,342		30,316,278
Residents Abroad	525,916		577,916	1,188,666	548,590	187,376	2,106,740		5,135,204
Public Sector Deposits	492,556		34,022	821,728	2,091	127	429		1,350,953
Commercial Deposits	4,974,356		2,498,516	6,347,295	290,726	16,225	72,689		14,199,807
Other Institutions Deposits	211,236		200,728	6,557,278	31,578	1,096	1,390		7,003,306
Precious Metals Deposits	2,751,819		116,440	4,751	1	4,827	969		2,878,807
Interbank Deposits	244,191		777,331	1,476,926	131,054	10,357	406,092		3,045,951
The Central Bank of Turkey	56,997								56,997
Domestic Banks	1,996		618,597	283,963	78,884	2,103	19,314		1,004,857
Foreign Banks	178,066		158,734	1,192,963	52,170	8,254	386,778		1,976,965
Participations Banks	7,132								7,132
Other									
Total	**20,946,735**		**13,441,305**	**62,059,729**	**2,946,244**	**862,766**	**5,126,655**		**105,383,434**

a.2. The maturity structure of deposits (Prior period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,005,140		4,200,439	28,040,187	2,412,466	503,674	501,736		40,663,642
Foreign Currency Deposits	5,865,791		5,793,103	16,819,195	1,886,363	477,746	3,264,725		34,106,923
Residents in Turkey	5,517,429		5,415,771	16,155,581	1,768,775	394,110	1,664,104		30,915,770
Residents Abroad	348,362		377,332	663,614	117,588	83,636	1,600,621		3,191,153
Public Sector Deposits	208,535		419,186	398,015	5,457	168	678		1,032,039
Commercial Deposits	4,533,435		1,447,573	5,358,055	183,916	22,173	132,616		11,677,768
Other Institutions Deposits	273,119		607,730	2,949,255	664,662	1,609,254	1,553		6,105,573
Precious Metals Deposits	2,479,052								2,479,052
Interbank Deposits	261,709		488,743	836,900	166,647	148,420	345,718		2,248,137
The Central Bank of Turkey	83,478								83,478
Domestic Banks	2,075		48,085	291,269	97,408		2,067		440,904
Foreign Banks	172,787		440,658	545,631	69,239	148,420	343,651		1,720,386
Participations Banks	3,369								3,369
Other									
Total	**18,626,781**		**12,956,774**	**54,401,607**	**5,319,511**	**2,761,435**	**4,247,026**		**98,313,134**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.3. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund exceeding the insurance limit:

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	17,246,503	16,344,278	23,879,880	24,004,306
Foreign Currency Savings Deposits	6,101,391	5,949,499	16,103,380	14,165,256
Other Deposits in the Form of Savings Deposits	1,518,080	1,293,378	1,205,813	1,085,426
Foreign Branches' Deposits Under Foreign Authorities' Insurance	705,500	694,449	50,957	53,161
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			28,337	17,827

a.4. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Saving Deposits and Other Accounts	79,294	70,988
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	9,769	8,957
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code No.5237 and Dated 26 September 2004		
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey		

b. Information on Derivative Financial Liabilities Held for Trading:

Negative differences on derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	11,797	44,251	96,264	116,755
Swap Transactions	372,702	268,382	361,060	214,164
Futures				
Options	6,219	33,236	263	26,614
Other		697		42,762
Total	**390,718**	**346,566**	**457,587**	**400,295**

c. Information on Funds Borrowed:

c.1. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds borrowed from the Central Bank of Turkey				
Domestic banks and Institutions	220,240	382,843	210,689	236,181
Foreign banks, institutions and funds	668,068	9,476,403		10,701,338
Total	**888,308**	**9,859,246**	**210,689**	**10,937,519**

c.2. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	869,719	5,425,214	186,621	5,599,202
Medium and Long-term	18,589	4,434,032	24,068	5,338,317
Total	**888,308**	**9,859,246**	**210,689**	**10,937,519**

c.3. Information on funds borrowed:

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

Syndicated loans:

Date of Use	Funds Borrowed	Maturity
May 2012	USD 241,000,000 + EUR 742,500,000	1 year (with 1 year extension option)
September 2012	USD 404,500,000 + EUR 572,600,000	1 year (with 1 year extension option)

Securitization deals:

The Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through TIB Diversified Payment Rights Finance Company, and all its claims and receivables based on FC debit and credit card receivables through TIB Card Receivables Funding Company Limited, both of which are special purpose vehicles established abroad.

Information on funds received through securitization are given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as at 30 September 2012
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 32,000,000
May 2005	TIB Diversified Payment Rights Finance Company	USD 700,000,000	5-8 years	USD 25,000,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 70,849,231
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 184,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 235,000,000
October 2011	TIB Diversified Payment Rights Finance Company	USD 75,000,000	5 years	USD 75,000,000
October 2011	TIB Diversified Payment Rights Finance Company	EUR 160,000,000	5-7 years	EUR 160,000,000
June 2012	TIB Diversified Payment Rights Finance Company	USD 225,000,000	5 years	USD 225,000,000
June 2012	TIB Diversified Payment Rights Finance Company	EUR 125,000,000	12 years	EUR 125,000,000

d. Information on Marketable Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	3,423,236		1,809,005	
Bonds	1,142,891	1,797,989	1,019,442	952,974
Total	**4,566,127**	**1,797,989**	**2,828,447**	**952,974**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

e. Concentration of the liabilities of the Bank:

Bank's liabilities come from 60% of deposits, 8% of the funds provided under repurchase agreements, 6% of funds borrowed and 5% of the secondary subordinated securities loans. Deposits, having different properties are spread across a large customer base. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. No risk concentration exists related to the Bank's liabilities

f. Information on Other Liabilities:
Other liabilities do not exceed 10% of the balance sheet total.

g. Information on Lease Payables (net):

The Bank does not have any lease payables.

h. Information on Derivative Financial Liabilities Held for Risk Management:

The Bank does not have any derivative financial liabilities held for risk management purposes.

i. Information on Provisions:

i.1. Information on general loan loss provisions:

	Current Period	Prior Period
General Loan Loss Provisions	**1,613,677**	**1,245,245**
Provision for Group I Loans and Receivables	1,345,971	1,039,640
- Additional Provision for Loans and Receivables with Extended Maturities	73,259	41,045
Provision for Group II Loans and Receivables	69,570	38,077
- Additional Provision for Loans and Receivables with Extended Maturities	7,257	3,182
Provision for Non-cash Loans	127,290	117,154
Other	70,846	50,374

i.2. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 3,033.98 (full TL amount as of 31 December 2012), which is one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits. On Group basis, as of 31 December 2012 TL 342,205 provision was set aside and reflected to the financial statements (31 December 2011: TL 235,821).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- discount and inflation rates, which vary by years, were used for the calculation and the real rate of increase in salaries was taken as 2%.
- TL 3,033.98 (full TL amount) salary ceiling, which was effective as at 31 December 2012 was taken into account for the calculations.
- the age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees

The movements related to provision for employee termination benefits are given below.

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	235,821	202,048
Service Cost	20,043	16,988
Interest Cost	20,751	18,007
Benefits paid	(18,222)	(18,262)
Loss/(Gain) due to Settlements / Reductions / Terminations	3,475	729
Actuarial loss/(gain)	80,337	16,311
Defined benefit obligation at the end of the period	342,205	235,821

In addition to the employee termination benefits, the Parent Bank allocate provisions for the unused vacation pay liability. As of 31 December 2012, provision for unused vacation pay is amounting to TL 20,316 (31 December 2011: TL 20,642).

i.3. Provisions for exchange losses in the principal amount of foreign currency indexed loans:

Since foreign currency indexed loans are followed based on the rates on the lending date, the Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As of 31 December 2012, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 8,616 and this amount is offset against foreign currency indexed loan balance in the financial statements.

i.4. As of 31 December 2012, the Bank's specific provisions for unindemnified non-cash loans balance is TL 102,568 (31 December 2011: TL 85,388) which is allocated for the non-cash loans of companies whose loans are followed under "Non-performing Loans" accounts.

i.5. Information on other provisions:

i.5.1. Provisions for potential risks:

The Bank management provided a general provision for the possible result of the negative circumstances which may arise from any changes in economy or market conditions amounting TL 1,000,000 thousands, TL 50,000 thousands of which was charged to the income statement as expense in the current period.

i.5.2. Liabilities arising from retirement benefits:

Liabilities of pension funds founded as per the Social Security Act:

Within the scope of the explanations given in Section Three Note XVII, in the actuarial report which was prepared as of 31 December 2012 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act numbered 506, the amount of actuarial and technical deficit stands at TL 1,778,210. The Bank, provide provisions for the foundation which is situated in the income statement for the previous years as a amount of the 1,338,159 TL with newly identified amount of 440,051 additional provide allowance on the difference.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of 31 December 2012, in other words, it measures the amount to be paid to the Social Security Institution by the Bank.

- 9.8% technical deficit interest rate is used.
- Published in the Official Gazette numbered 28533 dated 19 January 2013 with Law numbered 6385, after the date of 01.09.2013 taking into account the insurance premium is fixed by %2 and the total premium rate is 33.5% until the date of 31.08.2012, after the date of 01.09.2013, the total premium rate is 34.5%.
- CSO 1980 mortality table is used.
-Collective agreement that ended on 31/03/2012, from the date of the renewal process for 1.4.2012 due to the has not expired yet, determined fee increases used within the cautious approach in the account.

On the other hand "Provisional Article 39" is added to Social Security and General Health Insurance Law numbered 5510 via Amendment to Social Security and General Health Insurance Law numbered 6283 published in the Official Gazette dated 8 March 2012 and numbered 28227. According to aforementioned amendment, while members payments which is paid for retired or died before January 2000 and entitled invalidity, old-age pension per indexed system of the Law numbered 506 and members' payments, which is paid for invalidity or old-age before January 2000 and died after this date, will be recalculated. This application will be used from the date of 1 January 2013. In this context, actuarial calculation, invalidity, elderliness or survivor's pension who take salary to the foundation mentioned calculation made considering regulation. The amount of the actual and Technical Deficit played an important role in the regulation which mentioned like increase over the previous year.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Below table shows the cash values of premium and salary payments of the Bank as of 31 December 2012, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(4,323,548)	(3,666,014)
Net Present Value of Long Term Insurance Line Premiums	1,779,033	1,562,338
Net Present Value of Total Liabilities Other Than Health	**(2,544,515)**	**(2,103,676)**
Net Present Value of Health Liabilities	(581,571)	(482,099)
Net Present Value of Health Premiums	1,014,295	929,964
Net Present Value of Health Liabilities	**432,724**	**447,865**
Pension Fund Assets	**333,581**	**317,652**
Amount of Actuarial and Technical Deficit	**(1,778,210)**	**(1,338,159)**

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	210,692	196,541
Securities Portfolio	96,928	94,007
Other	25,961	27,104
Total	**333,581**	**317,652**

Currently, the paid health benefits, the Social Security Administration will be determined within the framework of legislation and related regulations.

j. Information on Tax Liability:

j.1. Information on current tax liability:

j.1.1. Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in Note XVIII of Section 3. The remaining corporate tax liability after the deduction of the temporary tax amount stands at TL 351,351 as at 31 December 2012.

j.1.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	351,351	186,206
Tax on Securities Income	94,727	110,023
Tax on Real Estate Income	2,124	1,717
Banking Insurance Transaction Tax	68,274	52,361
Foreign Exchange Transaction Tax	25	28
Value Added Tax Payable	1,667	529
Other	22,109	21,045
Total	**540,277**	**371,909**

j.1.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums – Employees	49	46
Social Security Premiums – Employer	60	53
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees		
Pension Fund Membership Fees and Provisions-Employer		
Unemployment Insurance - Employees	636	1,618
Unemployment Insurance - Employer	1,272	3,237
Others		
Total	**2,017**	**4,954**

j.2. Information on deferred tax liabilities: None.

k. Information on payables for assets held for sale and discontinued operations:

The Bank does not have any payables for assets held for sale and discontinued operations.

l. Information on subordinated debts:

The Bank, issued 10 year-term bond with a nominal value of USD 1,000,000,000 which is like subordinated loans for the individual and legal persons who are resident abroad. The Bond which has TL 1,804,451 balance sheet value at the end of the period has 6% interest rate.

m. Information on shareholders' equity:

m.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,499,970	4,499,970
Preferred shares	30	30
Total	**4,500,000**	**4,500,000**

m.2. Information as to whether the registered share capital system ceiling is applicable at the Bank, if so, the amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	10,000,000

The Bank's capital ceiling was raised to TL 10,000,000 from TL 7,000,000 in the current period.

m.3. The capital increase made in current period: None.

m.4. Information on capital increase through transfer from capital reserves during the current period: None.

m.5. Significant commitments of the Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: There are no capital commitments.

m.6. Information regarding the shares of the company acquired; Bank and included in the Bank did not acquired their own share.

m.7. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Bank's equity: The Bank's balance sheet is managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level. This contributes to the development of the Bank's income within a regularly increasing trend.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

m.8. Privileges Granted to Shares:

Group (A) shares each with a nominal value of 1 Kurus have the privileges of;

- receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and
- 20 voting rights (Article 49 of the Articles of Incorporation)

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kurus, have the same rights with the Group (C) shares having a nominal value of 4 Kurus each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kurus, are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

m.9. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities	**2,726,362**		**1,728,832**	
Valuation Difference	2,726,362		1,728,832	
Foreign Exchange Differences				
Financial Assets Available for Sale	**537,734**	**440,491**	**(385,877)**	**137,501**
Valuation Difference	672,166	440,491	(452,438)	137,501
Deferred Tax Effect on Valuation	(134,432)		66,561	
Foreign Exchange Differences				
Total	**3,264,096**	**440,491**	**1,342,955**	**137,501**

III. DISCLOSURES AND FOOTNOTES ON OFF BALANCE SHEET ITEMS

a. Information to Liabilities Related to Off-Balance Sheet Items:

a.1. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 15,742,457 and commitment to pay for cheque leaves amounts to TL 6,214,562. The amount of commitment for the forward purchase of assets is TL 442,072 and for the forward sale of assets is TL 443,025.

a.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items, Commitments are shown in the table of “off-balance sheet items”.

a.3. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	1,298,250	872,991
Letters of Credit	4,585,247	5,170,468
Other Guarantees	486,721	625,212
Total	**6,370,218**	**6,668,671**

a.4. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Letters of Tentative Guarantees	1,114,185	1,201,212
Letters of Certain Guarantees	15,832,634	13,702,059
Letters of Advance Guarantees	3,532,163	3,005,909
Letters of guarantee given to customs offices	1,053,538	905,572
Other Letters of Guarantee	718,874	366,582
Total	**22,251,394**	**19,181,334**

a.5. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	700,897	347,699
With Original Maturity of 1 Year or Less	74,452	37,121
With Original Maturity More Than 1 Year	626,445	310,578
Other Non-cash Loans	27,920,715	25,502,306
Total	**28,621,612**	**25,850,005**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.6. Sectoral Risk Concentration of Non-cash Loans:

	Cari Dönem				Önceki Dönem			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	129,033	1.03	29,364	0.18	114,202	1.15	40,730	0.26
Farming and Stockbreeding	79,722	0.64	21,051	0.13	56,855	0.57	34,295	0.22
Forestry	46,541	0.37	6,790	0.04	56,233	0.57	6,088	0.04
Fishery	2,770	0.02	1,523	0.01	1,114	0.01	347	0.00
Industry	4,261,407	34.07	8,852,299	54.93	3,093,213	31.12	9,217,883	57.93
Mining and Quarrying	125,173	1.00	140,957	0.87	100,355	1.01	120,057	0.75
Manufacturing	2,781,625	22.24	7,069,768	43.87	2,381,402	23.96	7,468,821	46.94
Electricity, Gas, Water	1,354,609	10.83	1,641,574	10.19	611,456	6.15	1,629,005	10.24
Construction	2,145,979	17.16	1,978,878	12.28	1,959,406	19.71	1,990,183	12.50
Services	5,827,196	46.59	3,661,516	22.72	4,663,229	46.91	3,028,888	19.05
Wholesale and Retail Trade	3,431,829	27.44	1,696,793	10.53	2,971,252	29.89	1,596,846	10.04
Hotel and Restaurant Services	106,912	0.85	27,593	0.17	100,326	1.01	17,434	0.11
Transportation and Communication	403,592	3.23	981,082	6.09	261,017	2.63	844,742	5.31
Financial Institutions	1,154,367	9.23	478,675	2.97	809,012	8.14	262,107	1.65
Real Estate and Rental Services	255,429	2.04	268,301	1.66	247,980	2.49	187,276	1.18
Self-Employed Services	399,197	3.19	194,285	1.20	205,340	2.07	104,368	0.66
Educational Services	18,859	0.15	7,339	0.05	16,043	0.16	6,926	0.04
Health and Social Services	57,011	0.46	7,448	0.05	52,259	0.52	9,189	0.06
Others	143,489	1.15	1,592,451	9.89	110,221	1.11	1,632,050	10.26
Total	**12,507,104**	**100**	**16,114,508**	**100**	**9,940,271**	**100,00**	**15,909,734**	**100,00**

a.7. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	**12,428,776**	**15,965,914**	**78,328**	**148,594**
Letters of Guarantee	12,387,330	9,652,800	78,328	132,936
Bank Acceptances	19,739	1,278,511		
Letters of Credit		4,569,589		15,658
Endorsements				
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	21,707	465,014		

b. Information on Derivative Financial Instruments:

Majority of the Bank's derivative transactions comprise foreign currency and interest rate swaps, forward foreign exchange trading, currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "held for trading purposes" within the framework of TAS 39 "Financial Instruments: Recognition and Measurement".

c. Information Related to Contingencies and Commitments:

As of 31 December 2012, balance of the "Other Irrevocable Commitments" account, which comprised the letters of guarantees, guarantees and commitments submitted by the Bank pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Bank and the commitments due to housing loans extended within the scope of unfinished house projects followed, amounts to TL 5,226,491. As of 31 December 2012 liability of the Bank regarding the cheques given to customers is presented under off balance sheet commitments, as per the related regulations is amounting to TL 6,214,562. In case the cheques presented for payment to beneficiaries are not covered, the Bank will be obliged to pay the uncovered amount up to TL 615 (full amount expressed) for the cheques that are subject to the Law numbered 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", within the framework of the Law numbered 6273 on "Amendments in the Cheque Law", which came into effect after being published in the Official Gazette dated 3 February 2012, and up to TL 1,045 (full amount) for the cheques that are subject to the "Cheque Law" numbered 5941. The uncollected amount will be followed under "Indemnified Non-Cash Loans".

According to the decision numbered 11-55/1438 dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the parent bank, allegedly violating the fourth substance of Law numbered 4054 is continuing. As determined by Bank's management all activities subject to investigation is in conformity with the legislation, therefore, provided no provision as of 31 December 2012.

The Bank made payments (contribution) to "Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı " which is founded according to Turkish Commercial Law and Civil Law. The Bank made contribution for related legislation to fulfill its obligations to the Foundation. In relation to the contributions made by the Bank Tax Audit Committee was conducted an inspection by their inspectors. As a result of this review, the amount of the liability, at the time of payment, for the members of the foundation worker has an interest in the nature of fee thus it comes to income tax withholding, penalty of payments / penalty to be stamp duty on the cut right on account of an investigation report was prepared for the periods of 2007 and 2008. According to this report, to the Bank, penalize income tax / stamp duty performed assessments in regarding to the mentioned period at the date 14.02.2013 the total 73.7 million income tax penalty notification was notified. The evaluation of the subject that the Bank's implementation is compliance with the legislation, there is no legal basis for the tax administration's suspended assessments, therefore, there is no provision need not considered and The Bank has used the legal rights of that assessment. Therefore, the Bank provided no provision as of 31 December 2012.

d. Information related to transactions made on behalf of or on the account of others:

It is explained in Note XIV under Section Four.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IV. DISCLOSURES AND FOOTNOTES ON INCOME STATEMENT

a. Interest Income

a.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Loans [(1)]				
Short-term Loans	3,408,410	291,981	2,385,234	222,351
Medium and Long-term Loans	4,405,307	1,414,306	3,282,183	983,467
Interest on Non-performing Loans	165,515		260,389	1
Premiums Received from State Resource Utilization Support Fund				
Total	**7,979,232**	**1,706,287**	**5,927,806**	**1,205,819**

(1) Includes fee and commission income on cash loans.

a.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey				
Domestic Banks	609	325	373	832
Foreign Banks	3,776	7,574	5,722	10,643
Foreign Head Offices and Branches				
Total	**4,385**	**7,899**	**6,095**	**11,475**

a.3. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	62,181	85	35,548	121
Financial Assets at Fair Value through Profit and Loss				
Financial Assets Available for Sale [(1)]	1,758,293	306,357	1,575,705	397,789
Held to Maturity Investments [(1)]	1,523,081	121	1,711,870	482
Total	**3,343,555**	**306,563**	**3,323,123**	**398,392**

(1) Total of TL 1,326,850 of interest income from related investments stems from inflation-indexed government bonds (31 December 2011: TL 1,382,684).

a.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Income from Associates and Subsidiaries	21,856	19,658

b. Interest Expense

b.1. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	51,337	156,646	10,891	175,407
Central Bank of Turkey				
Domestic Banks	19,269	9,894	10,891	4,106
Foreign Banks	32,068	146,752		171,301
Foreign Head Offices and Branches				
Other Institutions	1	51,794		43,085
Total [(1)]	**51,338**	**208,440**	**10,891**	**218,492**

(1) Includes fee and commission expenses from cash loans.

b.2. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	102,841	75,494

b.3. Information on interest paid on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued	369,131	69,409	166,065	41,983

b.4. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits						Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year	Accumulated Deposits	
TL								
Bank Deposits	1	7,979	64,301	10,638	1,598	109		84,626
Savings Deposits	8	250,536	2,641,686	150,536	37,642	41,845		3,122,253
Public Sector Deposits		2,210	5,999	138	5	41		8,393
Commercial Deposits	42	165,598	503,588	30,992	2,241	13,832		716,293
Other Institutions Deposits	2	32,851	457,570	48,381	9,621	115		548,540
Deposits with 7 Days Notice								
Total	**53**	**459,174**	**3,673,144**	**240,685**	**51,107**	**55,942**		**4,480,105**
FC								
Foreign Currency Deposits	38	118,077	606,376	90,371	12,597	118,061		945,520
Bank Deposits	36	5,155	24,332	6,403	1,190	6,467		43,583
Deposits with 7 Days Notice								
Precious Metals Deposits					304	15		319
Total	**74**	**123,232**	**630,708**	**96,774**	**14,091**	**124,543**		**989,422**
Grand Total	**127**	**582,406**	**4,303,852**	**337,459**	**65,198**	**180,485**		**5,469,527**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading		
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	1,348	1,191
Other	416,355	554,511
Total	**417,703**	**555,702**

d. Information on trading income/losses (Net):

	Current Period	Prior Period
Income		
Securities Trading Gains	621,023	126,758
Gains on Derivative Financial Instruments	2,399,211	3,875,154
Foreign Exchange Gains	46,994,070	78,524,978
Losses (-)		
Securities Trading Losses	3,463	10,771
Losses on Derivative Financial Instruments	2,882,346	3,543,391
Foreign Exchange Losses	46,538,105	78,666,655
Trading Income /Losses (Net)	**590,390**	**306,073**

As of 31 December 2012, income arising from foreign currency changes related to derivative transactions amounts to TL 1,642,824, and the losses amount to TL 1,921,615 and the amount of net loss is TL 278,791 (31 December 2011 profit: TL 3,047,210, loss: TL 2,614,733).

e. Information on other operating income:

86% of the other operating income arises from the collections or reversals of the provisions set aside in prior years for various reasons mainly for non-performing loans. The remaining part of the other operating income is composed of fees received from customers on various banking services and incomes from sale of fixed assets.

f. Information on provision for loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	601,096	597,457
Group III Loans and Receivables	61,305	438,637
Group IV Loans and Receivables	210,817	15,376
Group V Loans and Receivables	328,974	143,444
General Loan Provision Expenses	373,512	545,756
Provision Expenses for Potential Risks	50,000	
Impairment Losses on Marketable Securities	4	3,844
Financial Assets at Fair Value through Profit and Loss	4	3,844
Financial Assets Available for Sale		
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investments	26,960	17,886
Associates		
Subsidiaries	26,960	17,886
Jointly Controlled Entities		
Held to Maturity Investments		
Others	157,550	218,850
Total	**1,209,122**	**1,383,793**

g. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1,821,151	1,819,222
Reserve for Employee Termination Benefits	106,384	33,773
Bank Pension Fund Deficit Provisions	440,051	19,914
Impairment Losses on Tangible Assets	288	
Depreciation Expenses of Tangible Assets	177,494	165,487
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	68,548	46,358
Impairment Losses on Investments Accounted Under Equity Method		
Impairment Losses on Assets to be Disposed	1,783	1,147
Depreciation Expenses of Assets to be Disposed	9,200	7,034
Impairment Losses on Assets Held for Sale		
Other Operating Expenses	1,221,673	1,092,965
Operational Lease Related Expenses	176,599	156,120
Repair and Maintenance Expenses	19,821	19,758
Advertisement Expenses [(1)]	149,948	144,643
Other Expenses [(1)]	875,305	772,444
Loss on Sale of Assets	4,312	1,904
Other [(2)]	633,422	293,395
Total	**4,484,306**	**3,481,199**

[(1)] Expense amount of the group's donation, contributions and social responsibility projects is TL 29,395 in the current period.
[(2)] A portion of the net profit for the period is distributed as a dividend to employees taking into consideration, provision for the dividend to be distributed to employees in accordance with "IAS 19-Employee Benefits" and also includes the provision related to period for possible wage increase taking into account of renewing collective bargaining agreements ,which is ended in the current period, have not yet been completed.

h. Information on profit/loss before taxes including profit/loss from continuing and discontinued operations

The Bank's profit before tax is generated from its continuing operations. The profit before tax consists of net interest income of TL 5,927,917, net fee and commission income of TL 1,706,227 and the other operation expenses amount to TL 4,484,306.

i. Information on Provision for taxes from continuing and discontinued operations

As of 31 December 2012 the amount of the Bank's tax provision is TL 810,646 and the amount consists of current tax expense that is amounting to TL 1,117,517 and consists of deferred tax income amounting TL (306,871).

j. Information on net operating profit/loss after taxes including net profit/loss from continuing and discontinued operations:

The Bank's net profit generated from its continuing operations amounts to TL 3,310,307.

k. Information on net period profit/loss:

k.1. Income and expense resulting from ordinary banking activities: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 December 2012 – 31 December 2012.

k.2. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed

k.3. ''The other'' item which is located at the bottom of received fees and commissions in the income statement consist of various fees and commissions received from transactions such as credit card transactions, capital market transactions and insurance-reinsurance transactions.

k.4. Other items do not exceed 10% of the total amount of the income statement.

V. DISCLOSURES AND FOOTNOTES ON STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 1,816,495 and the balance of extraordinary reserves is TL 7,754,686.

In the current period, the change in other reserves item is a result of the conversion profit of foreign branches.

The details of revaluation surplus of securities are shared in the Note no. V-II-m.9. TL (134,432) of this amount is the deferred tax effect on available for sale securities (31 December 2011: TL 66,561).

VI. DISCLOSURES AND FOOTNOTES ON STATEMENTS OF CASH FLOWS

The operating profit of TL 9,351,352 before the changes in operating assets and liabilities consists of TL 13,274,692 of interest received predominantly from loans and securities, and TL 7,326,703 of interest predominantly paid on mainly deposits, money market operations and funds borrowed by the Bank.

The effect of changes in foreign exchange rates on cash and cash equivalents is approximately TL (116,937) as of 31 December 2012 (31 December 2011: TL 652,811).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, precious metals, money market operations as well as demand deposits and time deposits up to 3 months are defined as cash and cash equivalents.

Cash and cash equivalents at beginning of the period:

	Current Period 31.12.2011	Prior Period 31.12.2010
Cash	**6,920,592**	**5,647,529**
Cash in TL and Foreign Currency	1,120,445	923,709
Central Bank of Turkey and Other	5,800,147	4,723,820
Cash Equivalents	**2,178,731**	**3,130,509**
Banks' Demand Deposits and Time Deposits Up to 3 Months	2,135,604	3,130,509
Money Market Receivables	43,127	
Total Cash and Cash Equivalents	**9,099,323**	**8,778,038**

The total amount resulting from the transactions made in the previous period shows the total cash and cash equivalents as of the beginning of the current period.

Cash and cash equivalents at end of the period:

	Current Period 31.12.2012	Prior Period 31.12.2011
Cash	**4,724,573**	**6,920,592**
Cash in TL and Foreign Currency	1,657,796	1,120,445
Central Bank of Turkey and Other	3,066,777	5,800,147
Cash Equivalents	**1,287,370**	**2,178,731**
Banks' Demand Deposits and Time Deposits Up to 3 Months	1,287,370	2,135,604
Money Market Receivables		43,127
Total Cash and Cash Equivalents	**6,011,943**	**9,099,323**

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

VII. DISCLOSURES AND FOOTNOTES ON THE BANK'S RISK GROUP

a. Information on the volume of transactions relating to the Bank's risk group, incomplete loan and deposit transactions and period's profit and loss:

a.1. Information on loans held by the Bank's risk Group

Current Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	538,591	2,188,952	2	19	892,899	148,663
Balance at the end of the period	343,531	1,191,186	1		1,055,544	198,270
Interest and commission income received	18,782	523			48,378	1,703

Prior Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	300,597	1,506,659		19	552,895	107,985
Balance at the end of the period	538,591	2,188,952	2	19	892,899	148,663
Interest and commission income received	19,658	175			41,745	1,042

a.2. Information on deposits held by the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Individuals and Corporates in Risk Group	
Deposits	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the beginning of the period	1,430,686	1,218,847	549,679	840,520	1,725,317	1,370,925
Balance at the end of the period	1,868,581	1,430,686	385,728	549,679	1,609,009	1,725,317
Interest expense on deposits	84,790	67,370	46,369	63,241	84,671	79,389

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.3. Information on forward and option agreements and other similar agreements made with the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Individuals and Corporates in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss						
Beginning of the period	557,190				188,145	10,200
End of the period	526,529	557,190			4,708	188,145
Total Profit/ Loss	(15,547)	13,438			(2,438)	2,609
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/Loss						

b. Disclosures for Bank's risk group:

b.1. The relations of the Bank with the entities controlled by the Bank and its related parties regardless of whether there are any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b.2. The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 1.31%, while the ratio to the overall assets is 0.80%; the ratio of deposits of the risk group corporations to the overall deposits is 3.67%, while the ratio to overall liabilities is 2.20%. Comparable price method is used in pricing the transactions.

b.3. Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

The Bank acquires its properties through its associate, İş Finansal Kiralama A.Ş., when required. The Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş. Of the 31 mutual funds, which were founded by the Bank, 25 of them are managed by İş Portföy Yönetimi A.Ş. and 6 of them are managed by İş Yatırım Menkul Değerler A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

c. Total salaries and similar benefits paid to the key management personnel

Benefits paid to key management personnel in the current period amount to TL 15,193 (31 December 2011: TL 14,407).

VIII. DISCLOSURES ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR ASSOCIATES AND FOREIGN REPRESENTATIVE OFFICES

	Number	Employees			
Domestic Branches[1]	1,231	24,169			
			Country of Incorporation		
Foreign Representative Offices	1	1	People's Republic of China		
	1	1	Egypt		
				Total Assets	Legal Capital
Foreign Branches	1	30	England	8,691,279	289
	14	175	TRNC	1,365,947	80,000
	1	13	Iraq	102,639	12,591
	1	9	Georgia	15,685	13,872
	1	5	Kosovo	17,238	16,468
Off-Shore Branches	1	8	Bahrain	11,495,869	

[1] *The Branches located in Free Trade Zones in Turkey are included among domestic branches.*

IX. SUBSEQUENT EVENTS

1. Within the framework of the resolution made by the Bank's Board of Directors on 30 July 2012 regarding the domestic issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 656,736 with a maturity of 163 days, the Bank have issued discount bonds with a nominal value of TL 146,525 with a maturity of 380 days and the Bank has issued floating rate bonds with quarterly coupon payments with a nominal value of TL 10,702 with a maturity of 723 days on January 2013. The redemption date of the related bills are 26 June 2013, discount bonds are 29 January 2014 and floating rate bonds with quarterly coupon payments 7 January 2015 respectively and the interest rates are 6.64%, 7.01% and 6.84% respectively (annual simple interest).

2. Within the framework of the resolution made by the Bank's Board of Directors on 30 July 2012 regarding the domestic issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 460,389 with a maturity of 180 days, the Bank have issued discount bonds with a nominal value of TL 87,323 with a maturity of 350 days on February 2013. The redemption date of the related bills are 12 August 2013,diccount bonds are 29 January 2014 respectively and the interest rates are 6.20% and 6.44% respectively (annual simple interest).

3. As per the "Communique on Amendments to be Made on Communique on Required Reserves", which was published on the Official Gazette dated 26 January 2013 and nr. 28540, the reserve deposit rates are determined to be between 5%-11.25% for TL deposits and TL other liabilities, 9%-12% for FC deposits and between 6%-12% for FC other liabilities valid from 01 February 2013.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION SIX: OTHER EXPLANATIONS

I. Explanations on the Bank's Credit Ratings:

	Rating	Outlook [1]	Explanation
MOODY'S			
Bank Financial Strength	D+	Stable	Indicates that the Bank's stand-alone financial strength is adequate.
Long-term Foreign Currency Deposit	Ba2	Stable	The Highest rating depending on the country ceiling for Turkey in this category.
Long-term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-term Foreign Currency Deposit	NP	-	Same as the rating for Turkey.
Short-term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB	Stable	At investment level. Shows that the Bank's credibility is "good".
Long-term Local Currency Issuer Default Rating	BBB	Stable	At investment level. Shows that the Bank's credibility is "good".
Short-term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-term Rating	AAA (tur)	Stable	Shows highest credit quality (national).
Viability Rating	bbb	-	Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Support Rating	3	-	There is a moderate probability of support.
STANDARD & POOR'S			
Long-term Counterparty Credit Rating	BB	Stable	Same as the FC country rating given for Turkey.
Long-term Certificate of Deposit	BB	-	Same as the FC country rating given for Turkey.
Short-term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its financial commitment on the obligation.
Short-term Certificate of Deposit	B	-	Indicates that it has the capacity to meet its financial commitment on its obligations.
Long-term National Scale Rating	trAA	-	Indicates that its capacity to meet its financial commitments on the obligation is strong.
Short-term National Scale Rating	trA-1	-	It is the highest rating in this category and indicates that the Bank's capacity to pay its short-term debt is higher than the other institutions in the country.

The dates below given are on which the Bank's credit ratings/outlook was last updated:

Moody's: 3 July 2012, Fitch Ratings: 14 December 2012, Standard & Poor's: 4 May 2012

[1] Outlook:

"Stable" indicates that the current rating will not be changed in the short term; "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

II. Explanations on Special Purpose Audit and Public Audit

According to the Turkish Commercial Code 207, 438 and 439, there has not been the scope of the special audit to the Bank in the current period. At Bank BRSA, CBRT, the Capital Markets Board, the Competition Authority is subject to public scrutiny, including public institutions such as. In relation to these inspections of public institutions, if there is a point where disclosure to be necessary, the Bank shares the issues with the public through disclosures.

SECTION SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT:

The Bank's unconsolidated financial statements and footnotes to be disclosed to public as of 31 December 2012 are audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and except for the effect of the matter on the financial statements described in the fourth paragraph of the audit report dated 14 February 2013, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2012 and the result of its operations and cash flows for the year then ended.

II. EXPLANATIONS AND FOOTNOTES OF THE INDEPENDENT AUDITORS

There are no significant issues or necessary disclosures or notes in relation to the Bank's operations other than those mentioned above.

AUDITED BRSA FINANCIAL STATEMENTS OF THE BANK FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011 (INCLUDING COMPARATIVE 2010 NUMBERS)

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Türkiye İş Bankası Anonim Şirketi

Unconsolidated Financial Statements

As of and For the Year Ended 31 December 2011

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ

14 February 2012

This report contains "Independent Auditors' Report" comprising 1 page and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 85 pages.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See Note 1 in Part Three)

To the Board of Directors of Türkiye İş Bankası AŞ;

We have audited the unconsolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") as of 31 December 2011 and the related unconsolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the unconsolidated financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements, communiqués and guidance published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Accompanying financial statements include a general reserve amounting to TL 950,000 thousands provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in economy or market conditions, and full amount of such provision had been recognized as expense in the prior periods.

In our opinion, except for the effect on the unconsolidated financial statements of the matter described in the fourth paragraph above, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2011 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and the statements, communiqués and guidances published by the BRSA on accounting and financial reporting principles.

İstanbul
14 February 2012

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat ALSAN
Partner, Certified Public Accountant

Additional paragraph for convenience translation to English:

As explained in Note I in Part Three, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

THE UNCONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2011

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul
Telephone: 0212 316 00 00
Fax: 0212 316 09 00
Web site: www.isbank.com.tr
E-mail: 4440202@isbank.com.tr

The Unconsolidated Year End Financial Report prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency ("BRSA"), comprises the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
- INFORMATION ON THE BANK'S FINANCIAL STRUCTURE
- DISCLOSURES AND FOOTNOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and footnotes in this report are prepared, unless otherwise indicated, in thousands of the Turkish Lira (TL), in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and the Bank's financial records, and they have been subject to independent audit and presented as the attached.

Aziz Ferit Eraslan Head of Financial Management Division	**Mahmut Magemizoğlu** Deputy Chief Executive In Charge of Financial Reporting	**Adnan Bali** Chief Executive Officer	**Prof. Dr. Savaş Taşkent** Member of the Board and the Audit Committee	**Füsun Tümsavaş** Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	**H. Ersin Özince** Chairman of the Board of Directors

Information on the authorized personnel to whom questions related to this financial report may be directed.

Name – Surname / Title: Süleyman H. Özcan / Head of Investor Relations Division
Phone Nr. : +90 212 316 16 02
Fax Nr. : +90 212 316 08 40
E-mail : Suleyman.Ozcan@isbank.com.tr
investorrelations@isbank.com.tr
Web : www.isbank.com.tr

TÜRKİYE İŞ BANKASI A.Ş. (Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

PART ONE: GENERAL INFORMATION ABOUT THE BANK

I. Explanations on the Establishment Date and Initial Status of the Bank, and History Including the Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank") was established on 26 August 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. There is no change in the Bank's status since its establishment.

II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Bank, any Changes in the Period, and Information on the Bank's Risk Group

According to the Central Registry Agency data as of 31 December 2011, 40.43% of the Bank's shares are owned by T. İş Bankası A.Ş. Pension Fund, 28.09% are owned by the Republican People's Party (Atatürk's shares) and 31.48% are on free float.

III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank

Board of Directors and Auditors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Füsun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee, TRNC Internal Systems Committee and the Risk Committee, Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee, TRNC Internal Systems Committee and the Remuneration Committee
Hasan Koçhan	Director, Member of the Credit Committee
Aynur Dülger Ataklı	Director, Member of the Social Responsibility Committee
M. Mete Başol	Director, Alternate Member of the Credit Committee
Mustafa Kıcalıoğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility Committee, Alternate Member of the Credit Committee
Hüseyin Yalçın	Director
Murat Vulkan	Director
A. Taciser Bayer	Auditor
Kemal Ağanoğlu	Auditor

Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Administrative Position
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Özcan Türkakın	Equity Participations, Corporate Communications Management, Member of the Social Responsibility Committee and the Risk Committee*
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Suat İnce	Corporate and Commercial Banking Marketing, Sales and Product Management, Free Zone Branches
Serdar Gençer	Banking Operations and Payment Operations, Retail Loan and Card Operations, Foreign Trade and Commercial Loan Operations, Internal Operations Management
Hakan Aran	Alternative Distribution Channels Operations, Alternative Distribution Channels Strategy, IT Architecture & Security, IT System and Service Delivery Management
Aydın Süha Önder	Legal Counsellorship, Credit Information and Financial Analysis, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery Management
Levent Korba	Support Services and Purchasing, Construction and Real Estate Management, Branch Network Development
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans and Consumer Loans Underwriting, Credit Risk Management and Portfolio Monitoring, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management, Private Banking Marketing and Sale Management, Member of the Social Responsibility Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, Strategy and Corporate Performance Management and Talent Management
A. Erdal Aral	International Banking, Branches Abroad and Foreign Representative Offices, Capital Markets Management
Senar Akkuş	Economic Research, Treasury Management, Member of the Risk Committee

** Mr. Özcan Türkakın attends the meetings of the Risk Committee that are held on a consolidated basis.*

The Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance.

IV. Information on the Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,819,149	40.43%	1,819,149	
Cumhuriyet Halk Partisi – Republican People's Party - (Atatürk's Shares)	1,264,142	28.09%	1,264,142	

Source: Central Registry Agency

V. Summary Information on the Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

PART TWO: UNCONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET - ASSETS

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (Statement of Financial Position)			THOUSAND TL					
	ASSETS	Footnotes	CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
			TL	FC	Total	TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	**V-I-1**	**5,064,102**	**8,672,803**	**13,736,905**	**3,990,261**	**4,532,364**	**8,522,625**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**	**V-I-2**	**678,902**	**897,109**	**1,576,011**	**476,313**	**256,553**	**732,866**
2.1	Financial Assets Held for Trading		678,902	897,109	1,576,011	476,313	256,553	732,866
2.1.1	Government Debt Securities		649,674	8,809	658,483	456,365	15,718	472,083
2.1.2	Equity Securities		54	0	54	54	0	54
2.1.3	Derivative Financial Assets Held for Trading		28,234	888,300	916,534	19,873	240,835	260,708
2.1.4	Other Marketable Securities		940	0	940	21	0	21
2.2	Financial Assets at Fair Value Through Profit and Loss		0	0	0	0	0	0
2.2.1	Government Debt Securities		0	0	0	0	0	0
2.2.2	Equity Securities		0	0	0	0	0	0
2.2.3	Loans		0	0	0	0	0	0
2.2.4	Other Marketable Securities		0	0	0	0	0	0
III.	**BANKS**	**V-I-3**	**240,095**	**2,014,241**	**2,254,336**	**184,289**	**3,000,829**	**3,185,118**
IV.	**MONEY MARKET PLACEMENTS**		**0**	**43,141**	**43,141**	**0**	**0**	**0**
4.1	Interbank Money Market Placements		0	43,141	43,141	0	0	0
4.2	Istanbul Stock Exchange Money Market Placements		0	0	0	0	0	0
4.3	Receivables from Reverse Repurchase Agreements		0	0	0	0	0	0
V.	**FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**	**V-I-4**	**18,349,691**	**10,303,157**	**28,652,848**	**21,529,264**	**9,831,150**	**31,360,414**
5.1	Equity Securities		13,622	0	13,622	12,622	0	12,622
5.2	Government Debt Securities		18,336,069	7,705,475	26,041,544	21,516,642	6,300,788	27,817,430
5.3	Other Marketable Securities		0	2,597,682	2,597,682	0	3,530,362	3,530,362
VI.	**LOANS AND RECEIVABLES**	**V-I-5**	**58,803,727**	**32,816,911**	**91,620,638**	**43,826,943**	**20,404,735**	**64,231,678**
6.1	Loans and Receivables		58,803,727	32,816,911	91,620,638	43,826,943	20,404,735	64,231,678
6.1.1	Loans to the Bank's Risk Group		413,754	1,017,738	1,431,492	259,390	594,102	853,492
6.1.2	Government Debt Securities		0	0	0	0	0	0
6.1.3	Other		58,389,973	31,799,173	90,189,146	43,567,553	19,810,633	63,378,186
6.2	Non-Performing Loans		1,932,549	51,371	1,983,920	2,355,999	51,489	2,407,488
6.3	Specific Provisions (-)		1,932,549	51,371	1,983,920	2,355,999	51,489	2,407,488
VII.	**FACTORING RECEIVABLES**		**0**	**0**	**0**	**0**	**0**	**0**
VIII.	**INVESTMENTS HELD TO MATURITY (Net)**	**V-I-6**	**13,451,894**	**13,808**	**13,465,702**	**13,591,956**	**12,029**	**13,603,985**
8.1	Government Debt Securities		13,444,975	0	13,444,975	13,586,189	0	13,586,189
8.2	Other Marketable Securities		6,919	13,808	20,727	5,767	12,029	17,796
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**V-I-7**	**743,915**	**0**	**743,915**	**743,262**	**0**	**743,262**
9.1	Associates Accounted for Using the Equity Method		0	0	0	0	0	0
9.2	Unconsolidated Associates		743,915	0	743,915	743,262	0	743,262
9.2.1	Financial Investments		85,295	0	85,295	88,314	0	88,314
9.2.2	Non-Financial Investments		658,620	0	658,620	654,948	0	654,948
X.	**INVESTMENTS IN SUBSIDIARIES (Net)**	**V-I-8**	**5,327,210**	**203,892**	**5,531,102**	**5,479,297**	**41,480**	**5,520,777**
10.1	Unconsolidated Financial Subsidiaries		2,165,571	203,892	2,369,463	2,750,867	41,480	2,792,347
10.2	Unconsolidated Non-Financial Subsidiaries		3,161,639	0	3,161,639	2,728,430	0	2,728,430
XI.	**JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)**	**V-I-9**	**0**	**0**	**0**	**0**	**0**	**0**
11.1	Jointly Controlled Entities Accounted for Using the Equity Method		0	0	0	0	0	0
11.2	Unconsolidated Jointly Controlled Entities		0	0	0	0	0	0
11.2.1	Jointly Controlled Financial Entities		0	0	0	0	0	0
11.2.2	Jointly Controlled Non-Financial Entities		0	0	0	0	0	0
XII.	**LEASE RECEIVABLES**	**V-I-10**	**0**	**0**	**0**	**0**	**0**	**0**
12.1	Finance Lease Receivables		0	0	0	0	0	0
12.2	Operating Lease Receivables		0	0	0	0	0	0
12.3	Other		0	0	0	0	0	0
12.4	Unearned Income (-)		0	0	0	0	0	0
XIII.	**DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT**	**V-I-11**	**0**	**0**	**0**	**0**	**0**	**0**
13.1	Fair Value Hedges		0	0	0	0	0	0
13.2	Cash Flow Hedges		0	0	0	0	0	0
13.3	Net Foreign Investment Hedges		0	0	0	0	0	0
XIV.	**TANGIBLE ASSETS (Net)**	**V-I-12**	**1,856,865**	**2,969**	**1,859,834**	**1,829,496**	**2,389**	**1,831,885**
XV.	**INTANGIBLE ASSETS (Net)**	**V-I-13**	**63,677**	**0**	**63,677**	**32,619**	**0**	**32,619**
15.1	Goodwill		0	0	0	0	0	0
15.2	Other		63,677	0	63,677	32,619	0	32,619
XVI.	**INVESTMENT PROPERTY (Net)**	**V-I-14**	**0**	**0**	**0**	**0**	**0**	**0**
XVII.	**TAX ASSETS**	**V-I-15**	**488,613**	**0**	**488,613**	**715,338**	**0**	**715,338**
17.1	Current Tax Asset		0	0	0	0	0	0
17.2	Deferred Tax Asset		488,613	0	488,613	715,338	0	715,338
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**V-I-16**	**59,803**	**0**	**59,803**	**53,955**	**0**	**53,955**
18.1	Held for Sale		59,803	0	59,803	53,955	0	53,955
18.2	Discontinued Operations		0	0	0	0	0	0
XIX.	**OTHER ASSETS**	**V-I-17**	**878,741**	**693,238**	**1,571,979**	**729,472**	**532,500**	**1,261,972**
	TOTAL ASSETS		**106,007,23**	**55,661,269**	**161,668,504**	**93,182,465**	**38,614,029**	**131,796,494**

II. BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (Statement of Financial Position)		Footnotes	THOUSAND TL					
LIABILITIES AND SHAREHOLDERS' EQUITY			CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
			TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**V-II-1**	**60,332,494**	**37,980,640**	**98,313,134**	**59,590,859**	**28,669,298**	**88,260,157**
1.1	Deposits from the Bank's Risk Group		1,683,222	2,022,460	3,705,682	2,095,189	1,335,103	3,430,292
1.2	Other		58,649,272	35,958,180	94,607,452	57,495,670	27,334,195	84,829,865
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**V-II-2**	**457,587**	**400,295**	**857,882**	**393,432**	**323,844**	**717,276**
III.	**FUNDS BORROWED**	**V-II-3**	**210,689**	**10,937,519**	**11,148,208**	**111,052**	**7,931,390**	**8,042,442**
IV.	**MONEY MARKET FUNDS**		**13,591,180**	**5,869,890**	**19,461,070**	**6,409,126**	**3,749,764**	**10,158,890**
4.1	Interbank Money Market Funds		0	0	0	0	0	0
4.2	Istanbul Stock Exchange Money Market Funds		0	0	0	0	0	0
4.3	Funds Provided Under Repurchase Agreements		13,591,180	5,869,890	19,461,070	6,409,126	3,749,764	10,158,890
V.	**MARKETABLE SECURITIES ISSUED (Net)**	**V-II-4**	**2,828,447**	**952,974**	**3,781,421**	**0**	**0**	**0**
5.1	Bills		1,809,005	0	1,809,005	0	0	0
5.2	Asset-backed Securities		0	0	0	0	0	0
5.3	Bonds		1,019,442	952,974	1,972,416	0	0	0
VI.	**FUNDS**		**0**	**0**	**0**	**0**	**0**	**0**
6.1	Funds Borrowed		0	0	0	0	0	0
6.2	Other		0	0	0	0	0	0
VII.	**MISCELLANEOUS PAYABLES**		**2,897,232**	**443,718**	**3,340,950**	**2,273,170**	**276,822**	**2,549,992**
VIII.	**OTHER LIABILITIES**	**V-II-6**	**810,269**	**1,452,412**	**2,262,681**	**460,443**	**606,436**	**1,066,879**
IX.	**FACTORING PAYABLES**		**0**	**0**	**0**	**0**	**0**	**0**
X.	**LEASE PAYABLES (Net)**	**V-II-7**	**0**	**5**	**5**	**0**	**3,168**	**3,168**
10.1	Finance Lease Payables		0	12	12	2	3,412	3,414
10.2	Operating Lease Payables		0	0	0	0	0	0
10.3	Other		0	0	0	0	0	0
10.4	Deferred Finance Lease Expenses (-)		0	7	7	2	244	246
XI.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT**	**V-II-8**	**0**	**0**	**0**	**0**	**0**	**0**
11.1	Fair Value Hedges		0	0	0	0	0	0
11.2	Cash Flow Hedges		0	0	0	0	0	0
11.3	Net Foreign Investment Hedges		0	0	0	0	0	0
XII.	**PROVISIONS**	**V-II-9**	**4,179,358**	**25,568**	**4,204,926**	**3,615,780**	**15,809**	**3,631,589**
12.1	General Loan Loss Provision		1,245,245	0	1,245,245	699,489	0	699,489
12.2	Provision for Restructuring		0	0	0	0	0	0
12.3	Reserves for Employee Benefits		256,463	0	256,463	220,107	0	220,107
12.4	Insurance Technical Reserves (Net)		0	0	0	0	0	0
12.5	Other Provisions		2,677,650	25,568	2,703,218	2,696,184	15,809	2,711,993
XIII.	**TAX LIABILITY**	**V-II-10**	**376,663**	**200**	**376,863**	**352,141**	**156**	**352,297**
13.1	Current Tax Liability		376,663	200	376,863	352,141	156	352,297
13.2	Deferred Tax Liability		0	0	0	0	0	0
XIV.	**LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**	**V-II-11**	**0**	**0**	**0**	**0**	**0**	**0**
14.1	Held for Sale		0	0	0	0	0	0
14.2	Discontinued Operations		0	0	0	0	0	0
XV.	**SUBORDINATED LOANS**	**V-II-12**	**0**	**0**	**0**	**0**	**0**	**0**
XVI.	**SHAREHOLDERS' EQUITY**	**V-II-13**	**17,783,863**	**137,501**	**17,921,364**	**16,958,369**	**55,435**	**17,013,804**
16.1	Paid-in Capital		4,500,000	0	4,500,000	4,500,000	0	4,500,000
16.2	Capital Reserves		2,989,279	137,501	3,126,780	4,106,103	55,435	4,161,538
16.2.1	Share premium		3,694	0	3,694	3,694	0	3,694
16.2.2	Share Cancellation Profits		0	0	0	0	0	0
16.2.3	Marketable Securities Value Increase Fund		1,342,955	137,501	1,480,456	2,459,779	55,435	2,515,214
16.2.4	Tangible Assets Revaluation Reserve		0	0	0	0	0	0
16.2.5	Intangible Assets Revaluation Reserve		0	0	0	0	0	0
16.2.6	Investment Property Revaluation Reserve		0	0	0	0	0	0
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		26,692	0	26,692	26,692	0	26,692
16.2.8	Hedging Reserves (Effective Portion)		0	0	0	0	0	0
16.2.9	Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		0	0	0	0	0	0
16.2.10	Other Capital Reserves		1,615,938	0	1,615,938	1,615,938	0	1,615,938
16.3	Profit Reserves		7,627,097	0	7,627,097	5,370,056	0	5,370,056
16.3.1	Legal Reserves		1,646,564	0	1,646,564	1,444,476	0	1,444,476
16.3.2	Statutory Reserves		0	0	0	0	0	0
16.3.3	Extraordinary Reserves		5,890,766	0	5,890,766	3,941,296	0	3,941,296
16.3.4	Other Profit Reserves		89,767	0	89,767	-15,716	0	-15,716
16.4	Profit or Loss		2,667,487	0	2,667,487	2,982,210	0	2,982,210
16.4.1	Prior Years' Profit/Loss		0	0	0	0	0	0
16.4.2	Current Year Profit/Loss		2,667,487	0	2,667,487	2,982,210	0	2,982,210
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**103,467,782**	**58,200,722**	**161,668,504**	**90,164,372**	**41,632,122**	**131,796,494**

III. OFF-BALANCE SHEET ITEMS

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED OFF-BALANCE SHEET ITEMS (FOOTNOTE: V-III)	Thousand TL					
	CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
	TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	**142,469,635**	**72,186,093**	**214,655,728**	**41,195,439**	**43,360,670**	**84,556,109**
I. GUARANTEES AND SURETYSHIPS	**9,940,271**	**15,909,734**	**25,850,005**	**6,541,670**	**8,740,933**	**15,282,603**
1.1.Letters of Guarantee	9,916,048	9,265,286	19,181,334	6,535,952	5,089,383	11,625,335
1.1.1.Guarantees Subject to State Tender Law	559,333	2,315,888	2,875,221	379,412	1,277,896	1,657,308
1.1.2.Guarantees Given for Foreign Trade Operations	935,015	1,817,872	2,752,887	609,497	602,145	1,211,642
1.1.3.Other Letters of Guarantee	8,421,700	5,131,526	13,553,226	5,547,043	3,209,342	8,756,385
1.2.Bank Acceptances	3,628	493,494	497,122	3,922	207,616	211,538
1.2.1.Import Letters of Acceptance	0	120,310	120,310	0	97,562	97,562
1.2.2.Other Bank Acceptances	3,628	373,184	376,812	3,922	110,054	113,976
1.3.Letters of Credit	0	5,170,468	5,170,468	0	3,105,943	3,105,943
1.3.1.Documentary Letters of Credit	0	3,723,602	3,723,602	0	2,229,048	2,229,048
1.3.2.Other Letters of Credit	0	1,446,866	1,446,866	0	876,895	876,895
1.4.Prefinancing Given as Guarantee	0	0	0	0	0	0
1.5.Endorsements	0	375,869	375,869	0	30,582	30,582
1.5.1.Endorsements to the Central Bank of Turkey	0	375,869	375,869	0	30,582	30,582
1.5.2.Other Endorsements	0	0	0	0	0	0
1.6.Purchase Guarantees for Securities Issued	0	0	0	0	0	0
1.7.Factoring Guarantees	0	0	0	0	0	0
1.8.Other Guarantees	20,595	604,617	625,212	1,796	307,409	309,205
1.9.Other Suretyships	0	0	0	0	0	0
II. COMMITMENTS	**115,399,439**	**8,951,920**	**124,351,359**	**22,803,118**	**5,263,789**	**28,066,907**
2.1.Irrevocable Commitments	24,623,465	8,742,236	33,365,701	22,803,118	5,234,610	28,037,728
2.1.1.Forward Asset Purchase Commitments	225,532	927,438	1,152,970	687,008	1,567,825	2,254,833
2.1.2.Forward Deposit Purchase and Sale Commitments	0	0	0	0	0	0
2.1.3 Capital Commitment for Associates and Subsidiaries	22,560	0	22,560	2,000	0	2,000
2.1.4.Loan Granting Commitments	5,075,187	4,392,620	9,467,807	4,086,957	998,996	5,085,953
2.1.5.Securities Underwriting Commitments	0	0	0	0	0	0
2.1.6.Commitments for Reserve Deposit Requirements	0	0	0	0	0	0
2.1.7.Commitments for Cheque Payments	4,914,758	0	4,914,758	4,323,938	0	4,323,938
2.1.8.Tax and Fund Liabilities from Export Commitments	10,283	0	10,283	7,297	0	7,297
2.1.9.Commitments for Credit Card Expenditure Limits	13,172,835	0	13,172,835	12,877,554	551,392	13,428,946
2.1.10. Commitments for Credit Cards and Banking Services Promotions	60,325	0	60,325	45,971	0	45,971
2.1.11. Receivables from Short Sale Commitments	0	0	0	0	0	0
2.1.12. Payables for Short Sale Commitments	0	0	0	0	0	0
2.1.13.Other Irrevocable Commitments	1,141,985	3,422,178	4,564,163	772,393	2,116,397	2,888,790
2.2.Revocable Commitments	90,775,974	209,684	90,985,658	0	29,179	29,179
2.2.1.Revocable Loan Granting Commitments	90,775,974	209,684	90,985,658	0	29,179	29,179
2.2.2.Other Revocable Commitments	0	0	0	0	0	0
III. DERIVATIVE FINANCIAL INSTRUMENTS	**17,129,925**	**47,324,439**	**64,454,364**	**11,850,651**	**29,355,948**	**41,206,599**
3.1. Derivative Financial Instruments held for risk management	0	0	0	0	0	0
3.1.1. Fair Value Hedges	0	0	0	0	0	0
3.1.2. Cash Flow Hedges	0	0	0	0	0	0
3.1.3 Net Foreign Investment Hedges	0	0	0	0	0	0
3.2. Derivative Financial Instruments Held for Trading	17,129,925	47,324,439	64,454,364	11,850,651	29,355,948	41,206,599
3.2.1.Forward Foreign Currency Buy/Sell Transactions	5,151,775	10,943,954	16,095,729	1,323,775	4,610,800	5,934,575
3.2.1.1. Forward Foreign Currency Buy Transactions	4,245,128	3,804,573	8,049,701	1,021,411	1,949,633	2,971,044
3.2.1.2. Forward Foreign Currency Sell Transactions	906,647	7,139,381	8,046,028	302,364	2,661,167	2,963,531
3.2.2. Currency and Interest Rate Swaps	10,810,872	29,472,744	40,283,616	8,450,412	21,497,348	29,947,760
3.2.2.1. Currency Swap Buy Transactions	756,791	7,465,220	8,222,011	336,480	7,368,992	7,705,472
3.2.2.2. Currency Swap Sell Transactions	3,734,081	4,596,002	8,330,083	4,493,932	3,142,558	7,636,490
3.2.2.3. Interest Rate Swap Buy Transactions	3,160,000	8,705,761	11,865,761	1,810,000	5,492,899	7,302,899
3.2.2.4. Interest Rate Swap Sell Transactions	3,160,000	8,705,761	11,865,761	1,810,000	5,492,899	7,302,899
3.2.3. Currency, Interest Rate and Security Options	1,167,278	6,140,040	7,307,318	2,076,464	3,247,800	5,324,264
3.2.3.1. Currency Call Options	583,639	793,540	1,377,179	1,593,482	663,410	2,256,892
3.2.3.2. Currency Put Options	583,639	793,540	1,377,179	482,982	1,764,510	2,247,492
3.2.3.3. Interest Rate Call Options	0	2,276,480	2,276,480	0	409,940	409,940
3.2.3.4. Interest Rate Put Options	0	2,276,480	2,276,480	0	409,940	409,940
3.2.3.5.Securities Call Options	0	0	0	0	0	0
3.2.3.6. Securities Put Options	0	0	0	0	0	0
3.2.4. Currency Futures	0	0	0	0	0	0
3.2.4.1.Currency Buy Futures	0	0	0	0	0	0
3.2.4.2. Currency Sell Futures	0	0	0	0	0	0
3.2.5. Interest Rate Futures	0	0	0	0	0	0
3.2.5.1.Interest Rate Buy Futures	0	0	0	0	0	0
3.2.5.2.Interest Rate Sell Futures	0	0	0	0	0	0
3.2.6.Other	0	767,701	767,701	0	0	0

III. OFF-BALANCE SHEET ITEMS (continued)

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED OFF-BALANCE SHEET ITEMS (FOOTNOTE: V-III)	Thousand TL					
	CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
	TL	FC	Total	TL	FC	Total
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	**136,572,691**	**38,312,322**	**174,885,013**	**102,765,981**	**21,661,516**	**124,427,497**
IV. ITEMS HELD IN CUSTODY	**43,979,161**	**7,494,506**	**51,473,667**	**32,031,771**	**5,238,125**	**37,269,896**
4.1.Customers' securities held	0	0	0	0	0	0
4.2.Investment securities held in custody	30,375,664	40,325	30,415,989	23,057,101	19,823	23,076,924
4.3.Checks received for collection	10,744,157	2,038,360	12,782,517	5,122,675	1,039,433	6,162,108
4.4.Commercial notes received for collection	1,667,021	2,889,767	4,556,788	2,581,619	2,437,765	5,019,384
4.5.Other assets received for collection	3,481	35,624	39,105	4,924	14,353	19,277
4.6.Assets received for public offering	2,541	0	2,541	68,166	0	68,166
4.7.Other items under custody	1,185,673	2,490,430	3,676,103	1,192,497	1,726,751	2,919,248
4.8.Custodians	624	0	624	4,789	0	4,789
V. PLEDGED ITEMS	**92,593,530**	**30,817,816**	**123,411,346**	**70,734,210**	**16,423,391**	**87,157,601**
5.1.Marketable securities	1,898,746	0	1,898,746	1,107,485	0	1,107,485
5.2.Guarantee notes	3,631,238	5,374,958	9,006,196	2,914,619	4,100,231	7,014,850
5.3.Commodity	23,095,518	1,271,742	24,367,260	15,091,219	32,799	15,124,018
5.4.Warranty	0	0	0	0	0	0
5.5.Real Estates	62,456,531	23,976,196	86,432,727	50,859,457	12,161,336	63,020,793
5.6.Other pledged items	1,511,497	137,099	1,648,596	761,430	73,387	834,817
5.7.Pledged items-depository	0	57,821	57,821	0	55,638	55,638
VI. ACCEPTED BILL GUARANTEES AND SURETIES	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL OFF-BALANCE SHEET ITEMS (A+B)	**279,042,326**	**110,498,415**	**389,540,741**	**143,961,420**	**65,022,186**	**208,983,606**

IV. INCOME STATEMENT

	TÜRKİYE İŞ BANKASI A.Ş. INCOME STATEMENT	Footnotes	THOUSAND TL	
			CURRENT PERIOD (01/01-31/12/2011)	PRIOR PERIOD (01/01-31/12/2010)
I.	**INTEREST INCOME**	**V-IV-1**	**10,898,384**	**9,797,839**
1.1	Interest Income on Loans		7,133,625	5,947,788
1.2	Interest Income on Reserve Deposits		0	0
1.3	Interest Income on Banks		17,570	148,431
1.4	Interest Income on Money Market Placements		68	5,752
1.5	Interest Income on Marketable Securities Portfolio		3,721,515	3,667,042
1.5.1	Financial Assets Held for Trading		35,669	40,698
1.5.2	Financial Assets at Fair Value Through Profit and Loss		0	0
1.5.3	Financial Assets Available for Sale		1,973,494	1,994,148
1.5.4	Investments Held to Maturity		1,712,352	1,632,196
1.6	Finance Lease Income		0	0
1.7	Other Interest Income		25,606	28,826
II.	**INTEREST EXPENSE**	**V-IV-2**	**6,336,584**	**5,215,964**
2.1	Interest on Deposits		4,977,232	4,258,690
2.2	Interest on Funds Borrowed		229,383	511,177
2.3	Interest on Money Market Funds		883,289	434,702
2.4	Interest on Securities Issued		208,048	0
2.5	Other Interest Expense		38,632	11,395
III.	**NET INTEREST INCOME / EXPENSE (I - II)**		**4,561,800**	**4,581,875**
IV.	**NET FEES AND COMMISSIONS INCOME / EXPENSE**		**1,428,583**	**1,236,425**
4.1	Fees and Commissions Received		1,594,367	1,351,579
4.1.1	Non-cash Loans		134,307	117,919
4.1.2	Other		1,460,060	1,233,660
4.2	Fees and Commissions Paid		165,784	115,154
4.2.1	Non-cash Loans		917	1,137
4.2.2	Other		164,867	114,017
V.	**DIVIDEND INCOME**	**V-IV-3**	**555,702**	**369,210**
VI.	**TRADING INCOME / LOSS (NET)**	**V-IV-4**	**306,073**	**134,630**
6.1	Gains/Losses on Securities Trading		115,987	514,410
6.2	Derivative Financial Transactions Gains/Losses		331,763	-71,046
6.3	Foreign Exchange Gains/Losses		-141,677	-308,734
VII.	**OTHER OPERATING INCOME**	**V-IV-5**	**1,311,114**	**1,569,284**
VIII.	**TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)**		**8,163,272**	**7,891,424**
IX.	**PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)**	**V-IV-6**	**1,383,793**	**1,135,449**
X.	**OTHER OPERATING EXPENSES (-)**	**V-IV-7**	**3,481,199**	**3,203,123**
XI.	**NET OPERATING INCOME (VIII-IX-X)**		**3,298,280**	**3,552,852**
XII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		**0**	**0**
XIII.	**PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD**		**0**	**0**
XIV.	**NET MONETARY POSITION GAIN/LOSS**		**0**	**0**
XV.	**PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+…+XIV)**	**V-IV-8**	**3,298,280**	**3,552,852**
XVI.	**TAX PROVISION FOR CONTINUING OPERATIONS (±)**	**V-IV-9**	**630,793**	**570,642**
16.1	Current Tax Provision		296,063	782,865
16.2	Deferred Tax Provision		334,730	-212,223
XVII.	**NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)**	**V-IV-10**	**2,667,487**	**2,982,210**
XVIII.	**INCOME ON DISCONTINUED OPERATIONS**		**0**	**0**
18.1	Income on Assets Held for Sale		0	0
18.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	0
18.3	Other Income on Discontinued Operations		0	0
XIX.	**EXPENSE ON DISCONTINUED OPERATIONS (-)**		**0**	**0**
19.1	Expense on Assets Held for Sale		0	0
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	0
19.3	Other Expense on Discontinued Operations		0	0
XX.	**PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)**		**0**	**0**
XXI.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**0**	**0**
21.1	Current Tax Provision		0	0
21.2	Deferred Tax Provision		0	0
XXII.	**NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**		**0**	**0**
XXIII.	**NET PERIOD PROFIT/LOSS (XVII+XXII)**	**V-IV-11**	**2,667,487**	**2,982,210**
	Earnings Per Share (in full TL)		0.023710521	0.026508003

TÜRKİYE İŞ BANKASI A.Ş.

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

V. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	THOUSAND TL CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	-585,510	64,235
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	0	0
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	0	0
IV.	TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	105,483	-6,511
V.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)	0	0
VI.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)	0	0
VII.	THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES	0	0
VIII.	OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITYACCORDANCE WITH TAS	-557,253	1,133,427
IX.	DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	108,005	-7,404
X.	NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+…+IX)	-929,275	1,183,747
XI.	PROFIT/LOSS FOR THE PERIOD	2,667,487	2,982,210
1.1	Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	69,050	29,139
1.2	The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement	0	0
1.3	The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement	0	0
1.4	Other	2,598,437	2,953,071
XII.	TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	1,738,212	4,165,957

TÜRKİYE İŞ BANKASI A.Ş.

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

VI. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY PRIOR PERIOD (31/12/2010)	Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Shareholders' Equity
I. Beginning Balance	V-V	3,079,639	1,977,491	3,694		1,274,405		3,468,758	-9,205		2,372,407	1,324,956		1,383			13,493,528
II. Corrections Made According to TAS 8																	
2.1.The Effect of Corrections of Errors																	
2.2.The Effect of Changes in Accounting Policies																	
III. Adjusted Beginning Balance (I+II)		3,079,639	1,977,491	3,694		1,274,405		3,468,758	-9,205		2,372,407	1,324,956		1,383			13,493,528
Changes During the Period																	
IV. Increase/Decrease Due to Mergers																	
V. Marketable Securities Value Increase Fund												1,190,258					1,190,258
VI. Hedge Reserves (Effective Portion)																	
6.1. Cash Flow Hedges																	
6.2. Net Foreign Investment Hedges																	
VII. Revaluation Surplus on Tangible Assets																	
VIII. Revaluation Surplus on Intangible Assets																	
IX. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities(Joint Ventures)														26,692			26,692
X. Translation Differences									-6,511								-6,511
XI. The Effect of Disposal of Assets																	
XII. The Effect of Reclassification of Assets																	
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																	
XIV. Capital Increase		1,420,361	-361,553					-1,057,425						-1,383			
14.1.Cash																	
14.2.Internal Sources		1,420,361	-361,553					-1,057,425						-1,383			
XV. Share Issue																	
XVI. Share Cancellation Profits																	
XVII. Paid-in-Capital Inflation Adjustment																	
XVIII. Other																	
XIX. Net Profit / Loss for the Period										2,982,210							2,982,210
XX. Profit Distribution						170,071		1,529,963			-2,372,407						-672,373
20.1. Dividend Paid											-672,373						-672,373
20.2. Transfer to Reserves						170,071		1,529,963			-1,700,034						
20.3. Other																	
Ending Balance (III+IV+V...+XVIII+XIX+XX)		4,500,000	1,615,938	3,694		1,444,476		3,941,296	-15,716	2,982,210		2,515,214		26,692			17,013,804

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED - STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY CURRENT PERIOD (31/12/2011)	Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Shareholders' Equity
I.	**Beginning Balance**	V-V	4,500,000	1,615,938	3,694		1,444,476		3,941,296	-15,716		2,982,210	2,515,214		26,692			17,013,804
	Changes During the Period																	
II.	**Increases / Decreases Due to Mergers**																	
III.	**Marketable Securities Value Increase Fund**												-1,034,758					-1,034,758
IV.	**Hedge Reserves (Effective Portion)**																	
4.1	Cash-flow Hedge																	
4.2	Net Foreign Investment Hedges																	
V.	**Revaluation Surplus on Tangible Assets**																	
VI.	**Revaluation Surplus on Intangible Assets**																	
VII.	**Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities(Joint Ventures)**																	
VIII.	**Translation Differences**									105,483								105,483
IX.	**The Effect of Disposal of Assets**																	
X.	**The Effect of Reclassification of Assets**																	
XI.	**The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank**																	
XII.	**Capital Increase**																	
12.1	Cash																	
12.2	Internal Sources																	
XIII.	**Share Premium**																	
XIV.	**Share Cancellation Profits**																	
XV.	**Paid-in-Capital Inflation Adjustment**																	
XVI.	**Other**																	
XVII.	**Net Profit / Loss for the Period**										2,667,487							2,667,487
XVIII.	**Profit Distribution**						202,088		1,949,470			-2,982,210						-830,652
18.1	Dividend Paid											-830,652						-830,652
18.2	Transfer to Reserves						202,088		1,949,470			-2,151,558						
18.3	Other																	
	Ending Balance (I+II+III+…+XVI+XVII+XVIII)		4,500,000	1,615,938	3,694		1,646,564		5,890,766	89,767	2,667,487		1,480,456		26,692			17,921,364

VII. STATEMENT OF CASH FLOWS

UNCONSOLIDATED STATEMENT OF CASH FLOWS	Footnotes	THOUSAND TL CURRENT PERIOD (01/01 - 31/12/2011)	PRIOR PERIOD (01/01 - 31/12/2010)
A. CASH FLOWS FROM BANKING OPERATIONS	V – VI		
1.1. Operating Profit Before Changes in Operating Assets and Liabilities		**3,227,392**	**3,568,851**
1.1.1.Interest Received		10,738,853	9,786,662
1.1.2.Interest Paid		-6,056,019	-5,340,153
1.1.3.Dividend Received		134,255	127,402
1.1.4.Fees and Commissions Received		1,594,367	1,351,579
1.1.5.Other Income		60,479	703,929
1.1.6.Collections from Previously Written Off Loans and Other Receivables		1,007,257	947,193
1.1.7.Cash Payments to Personnel and Service Suppliers		-2,912,187	-2,530,845
1.1.8.Taxes Paid		-403,585	-817,217
1.1.9. Other		-936,028	-659,699
1.2. Changes in Operating Assets and Liabilities		**-10,458,390**	**-1,763,828**
1.2.1.Net (Increase) Decrease in Financial Assets Held for Trading		-200,053	-93,482
1.2.2. Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		0	0
1.2.3.Net (Increase) Decrease in Due From Banks		-4,001,252	958,406
1.2.4.Net (Increase) Decrease in Loans		-22,753,100	-17,517,994
1.2.5.Net (Increase) Decrease in Other Assets		-349,649	-415,833
1.2.6.Net Increase (Decrease) in Bank Deposits		-434,653	626,691
1.2.7.Net Increase (Decrease) in Other Deposits		5,534,009	15,620,597
1.2.8.Net Increase (Decrease) in Funds Borrowed		1,426,692	-1,264,410
1.2.9.Net Increase (Decrease) in Matured Payables		0	0
1.2.10.Net Increase (Decrease) in Other Liabilities		10,319,616	322,197
I. Net Cash Provided From Banking Operations		**-7,230,998**	**1,805,023**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / Used in Investing Activities		**4,067,468**	**-5,368,382**
2.1.Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-164,670	-111,947
2.2.Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	415,448
2.3.Tangible Asset Purchases		-250,144	-223,958
2.4.Tangible Asset Sales		223,536	280,975
2.5.Cash Paid for Purchase of Financial Assets Available for Sale		-15,446,766	-31,957,248
2.6.Cash Obtained from Sales of Financial Assets Available for Sale		19,226,639	26,685,943
2.7.Cash Paid for Purchase of Investment Securities Held to Maturity		-14,227	-2,640,303
2.8.Cash Obtained from Sales of Investment Securities Held to Maturity		493,100	2,182,708
2.9.Other		0	0
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / Used in Financing Activities		**2,832,004**	**-688,439**
3.1.Cash Obtained from Funds Borrowed and Securities Issued		5,566,073	0
3.2.Cash Used for Repayment of Funds Borrowed and Securities Issued		-1,900,000	0
3.3.Equity Instruments		0	0
3.4.Dividends Paid		-830,652	-672,373
3.5.Payments for Finance Leases		-3,417	-16,066
3.6.Other		0	0
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		**652,811**	**-70,624**
V. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)		**321,285**	**-4,322,422**
VI. Cash and Cash Equivalents at Beginning of the Period		**8,778,038**	**13,100,460**
VII. Cash and Cash Equivalents at End of the Period (V+VI)		**9,099,323**	**8,778,038**

VIII. STATEMENT OF PROFIT DISTRIBUTION TABLE

TÜRKİYE İŞ BANKASI A.Ş. STATEMENT OF PROFIT DISTRIBUTION TABLE	THOUSAND TL CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
I.DISTRIBUTION OF CURRENT YEAR PROFIT [1]		
1.1. CURRENT PERIOD PROFIT	3,298,280	3,552,852
1.2.TAXES AND DUES PAYABLE (-)	630,793	570,642
1.2.1.Corporate Tax (Income Tax)	291,692	779,915
1.2.2.Income Tax Withholding	4,371	2,950
1.2.3.Other Taxes and Dues Payable [2]	334,730	-212,223
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	**2,667,487**	**2,982,210**
1.3.PRIOR YEARS' LOSSES (-)	0	0
1.4.FIRST LEGAL RESERVES (-)	0	141,523
1.5. OTHER STATUTORY RESERVES (-)	0	1,880,445
B. NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5)]	**2,667,487**	**960,242**
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	0	270,000
1.6.1.To Owners of Ordinary Shares	0	269,998
1.6.2.To Owners of Preferred Shares	0	2
1.6.3.To Preferred Shares (Preemptive Rights)	0	0
1.6.4.To Profit Sharing Bonds	0	0
1.6.5.To Holders of Profit / Loss Share Certificates	0	0
1.7.DIVIDENDS TO PERSONNEL (-)	0	138,049
1.8.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	1,726
1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)	0	420,878
1.9.1.To Owners of Ordinary Shares	0	420,871
1.9.2. To Owners of Preferred Shares	0	3
1.9.3 To Preferred Shares (Preemptive Rights)	0	4
1.9.4.To Profit Sharing Bonds	0	0
1.9.5.To Holders of Profit / Loss Share Certificates	0	0
1.10.SECOND LEGAL RESERVES (-)	0	60,565
1.11.STATUTORY RESERVES (-)	0	0
1.12.EXTRAORDINARY RESERVES	0	69,024
1.13.OTHER RESERVES	0	0
1.14.SPECIAL FUNDS	0	0
II. DISTRIBUTION FROM RESERVES		
2.1.DISTRIBUTED RESERVES	0	0
2.2.SECOND LEGAL RESERVES (-)	0	0
2.3.DIVIDENDS TO SHAREHOLDERS (-)	0	0
2.3.1.To Owners of Ordinary Shares	0	0
2.3.2 To Owners of Preferred Shares	0	0
2.3.3. To Preferred Shares (Preemptive Rights)	0	0
2.3.4.To Profit Sharing Bonds	0	0
2.3.5.To Holders of Profit / Loss Share Certificates	0	0
2.4.DIVIDENDS TO PERSONNEL (-)	0	0
2.5.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	0
III. EARNINGS PER SHARE		
3.1. TO OWNERS OF ORDINARY SHARES [3]	0.0237	0.0265
3.2. TO OWNERS OF ORDINARY SHARES (%)	59	66
3.3. TO OWNERS OF PREFERRED SHARES [3]	0	0
3.4. TO OWNERS OF PREFERRED SHARES (%)	0	0
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES [3]	0	0.0061
4.2. TO OWNERS OF ORDINARY SHARES (%)	0	15
4.3. TO OWNERS OF PREFERRED SHARES [3]	0	0.0018
4.4. TO OWNERS OF PREFERRED SHARES (%)	0	18

(1) The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.
(2) The amount included in Other Taxes and Dues Payable refers to Deferred Tax Income, which will not be included within the profit distribution.
(3) Expressed in full TL

PART THREE: EXPLANATIONS ON ACCOUNTING POLICIES

I. Explanations on the Basis of Presentation

1. Basis of Presentation

The unconsolidated financial statements and related disclosures and notes in this report are prepared in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, and the other regulations, communiqués, disclosures and circulars related to the accounting and financial reporting principles published by the Banking Regulatory and Supervisory Agency ("BRSA").

Accounting policies and measurement principles used in the preparation of the financial statements are presented in detail below:

2. Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

II. Explanations on the Usage Strategy of Financial Instruments and on Foreign Currency Transactions

1. The Bank's Strategy for the Use of Financial Instruments

The Bank's main activities comprise private, retail, commercial and corporate banking, money market and securities market operations, as well as activities related to international banking services.

In conformity with the general liability structure of the banking system, the Bank's liabilities are mainly composed of short-term deposits and other medium and long-term liabilities. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey ("CBT"). As a result, the liquidity of the Bank and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the sectoral developments and the yields of alternative investment instruments, fixed and floating rate placements are made. High yielding Eurobonds and government debt securities portfolios are of sufficient quality and quantity to reduce the risk which may arise from the fluctuations in the interest rates.

Safety principle has always been the top priority in placements and the placements are focused on high yielding and low risk assets by considering their maturity structure. Accordingly, a pricing policy aiming at high return is implemented in the long-term placements and attention is paid to the maximum use of non-interest income generation opportunities. The Bank determines its lending strategy by taking into consideration the international and national economic data and expectations, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity, currency and credit risks. Furthermore, in conformity with this strategy, the Bank acts within the legal limits in terms of asset-liability management.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits determined by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

2. Explanations on Foreign Currency Transactions

Foreign currency monetary assets and liabilities on the balance sheet are converted to Turkish Lira by using the prevailing exchange rates at the balance sheet date. Non-monetary foreign currency items measured at fair value are converted by the rates at the date of the fair value assessments. Exchange rate differences arising from the conversion of monetary items and the collections and payments in foreign currency are recognized in the income statement.

In accordance with "TAS 21-Effects of Changes In Foreign Exchange Rates", net investments in non-domestic companies are considered as non-monetary items, measured on the basis of historical cost and converted to Turkish Currency at the currency rates at the transaction date, and also in accordance with "TAS 29-Financial Reporting In Hyperinflationary Economics", the inflation adjusted value is calculated by using the inflation indices prevailing between the date of transaction and final date that the inflation adjustment is applied, 31 December 2004, and it is accounted by allocating provision amounts for any permanent impairment losses.

The financial statements of the Bank's foreign branches are prepared in currencies (functional currency) prevailing in the economic environment that they operate in and expressed in TL, which is the functional currency of the Bank and the presentation currency of the financial statements. For the conversion of the assets and liabilities of the foreign branches to TL, end of period foreign currency closing rates are used, and for the conversion of income and expenses foreign currency rates on the transaction date are taken into account. The exchange rate differences arising from the conversion are recorded in the "Other Profit Reserves" account under the shareholders' equity.

III. Explanations on Investments in Associates and Subsidiaries

Investments in associates and subsidiaries are recorded within the scope of "TAS 39-Financial Instruments: Recognition and Measurement". Investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Investments in subsidiaries and associates, whose shares are not traded in an active market (stock market) are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, if any, impairment losses.

IV. Explanations on Forward and Option Contracts and Derivatives Instruments

The Bank's derivative transactions predominantly consist of currency and interest rate swaps, forward foreign currency trading as well as currency and interest rate options. The Bank has no derivative products that are separated from the host contract.

Derivative transactions are carried at their fair values at the contract dates and the receivables and payables arising from these transactions are followed under off-balance sheet accounts. Derivative transactions are measured at their fair values in the reporting periods following their recording and the valuation differences are shown under the accounts, "Derivative Financial Assets Held for Trading" and "Derivative Financial Liabilities Held for Trading", depending on the difference being positive or negative. Even though some derivative transactions economically provide risk hedging, since not all the necessary conditions are met for them to be defined as items suitable for financial risk hedging accounting, they are recognized as "held for trading purposes" within the scope of "TAS 39-Financial Instruments: Recognition And Measurement". The valuation differences arising from the valuation of derivative transactions are associated with the income statement.

On the other hand, on the off-balance sheet table, the options that generate assets for the Bank are presented under "call options" line and the ones that generate liabilities are presented under "put options" line.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis by using the effective interest method (the ratio which equalizes the future cash flows of a financial asset or liability to net present book value) within the framework of "TAS 39-Financial Instruments: Recognition And Measurement".

As per the relevant legislation, accrued interests and other interest receivables on loans and other receivables that are classified as non-performing are cancelled and the relevant figures are recorded as interest income only when collected.

VI. Explanations on Fee and Commission Income and Expenses

Fee and commission income and expenses are recorded either on accrual basis or by using the effective interest rate method. Income gained in return for services rendered contractually or due to operations like sale or purchase of assets on behalf of a third party real person or corporate body are recorded in the income accounts in the period when they are collected.

VII. Explanations on Financial Assets

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

1. Cash and Banks

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

2. Marketable Securities

a. Financial Assets at Fair Value through Profit And Loss

a.1. 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 which are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial assets held for trading are recognized at their fair values in the balance sheet and thereafter carried at fair values. 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. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are booked under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is booked under the "Gains on Securities Trading" account. If the fair value is under the amortized cost, the negative difference is booked 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.

a.2. Financial Assets at Fair Value through Profit and Loss

Financial assets classified at fair value through profit and loss are financial assets which have not been acquired for trading purposes, but designated as at fair value through profit and loss on initial recognition. The recognition of such assets at fair value is accounted similar with the financial assets held for trading.

b. Explanations on Financial Assets Available for Sale and Investments Held to Maturity

b.1. Explanations on Financial Assets Available for Sale

Financial assets available for sale are non-derivative financial assets other than loans and receivables originated by the Bank, other than investments held to maturity and other than those classified at fair value through profit/loss. Initial recognition and the subsequent valuation of financial assets available for sale, including their transaction costs, is made on a fair value basis and the difference between the cost and the "amortized cost" calculated using the "Internal Rate of Return Method" is reflected to the profit/loss statement. In conditions where values that form the basis of fair value do not exist under active market conditions, it is deemed that the fair value is not reliably determined and the amortized cost calculated using the "Internal Rate of Return Method" is taken into account as the fair value. Unrealized profit and loss resulting from the changes in fair values of the financial assets available for sale, are not reflected to the income statement until the corresponding value of the financial asset is collected, the asset is sold, disposed of or impaired, rather they are recognized in the "Marketable Securities Valuation Differences" account under the shareholders' equity. In the event of collection of the value of the relevant asset or its disposal, the fair value differences accumulated in the shareholders' equity, resulting from market valuation are reflected to the income statement.

b.2. Explanations on Investments Held to Maturity

Investments held to maturity are non-derivative financial assets, other than loans and receivables originated by the Bank, and other than those which are classified at fair value through profit and loss at initial recognition and other than those which are defined as available for sale. These financial assets are held with the intention of being retained until the maturity date, and for which the required conditions, including the capability of being funded, are secured for holding until maturity, and they have a fixed maturity date or a maturity date that can be deemed fixed due to its determinable payments. Investments held to maturity, that are initially recorded at their fair values including the cost of transaction, are carried at amortized cost, calculated using the internal rate of return method, less any impairment losses. Interest income generated from investments held to maturity is accounted as “Interest Income” on the income statement.

There are no financial assets that have been previously classified as held to maturity investments but cannot be classified as held to maturity for two consecutive years due to "tainting" rules.

3. Loans and Receivables

Loans and receivables are financial assets, which are generated by providing funds, goods or services to the debtor, with fixed or determinable repayment schedules and which are not traded in an active market.

The initial recognitions of loans and receivables are made at the cost of acquisition and subsequent measurements are made at amortized cost, which is calculated using the internal rate of return method.

Retail and corporate loans that are followed under cash loans are accounted at original maturities, based on their contents, under the accounts defined by the Uniform Code of Accounts (UCA) and the Explanatory Manual.

Foreign currency indexed loans are converted to Turkish Lira at the rates prevailing at the opening date; they are followed under the Turkish Currency (TL) accounts, and amount of increases or decreases in the principal amount of the loans, depending on the exchange rate of the following periods being higher or lower than the ones on the lending date, are recognized in the profit/loss accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the “Foreign Exchange Gains/Losses” account.

VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amount of its financial assets or a group of its financial assets to determine whether there is an objective indication if those assets have suffered an impairment loss. Where there is impairment, the Bank measures the related impairment amount.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event (loss/damage event) subsequent to initial recognition of that financial asset; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of the probability, no estimated loss that might arise from future events is recognized in the financial statements.

If there is an impairment loss in investments held to maturity, the amount of loss is measured as the difference between the book value and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate, and the book value of the asset shall be reduced by recognizing such loss. In the following periods, if the amount of impairment loss decreases, the previously recognized amount shall be reversed.

In case an available-for-sale financial asset, which is accounted at fair value and whose value increases and decreases are recognized directly in equity, is impaired, accumulated profit or loss that had been recognized directly in equity shall be removed from equity and recognized in period net profit or loss. If, in a subsequent period, the fair value of the related financial asset increases, the impairment loss is cancelled.

Loans are classified and followed in line with the provisions of the “Regulation on Identification of Loans and Other Receivables and Provisioning Against Them”, published on the Official Gazette nr.26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the “Provision Expenses” account and the released parts of the provisions from the previous years are transferred to and recognized in the “Other Operating Income” account.

Apart from specific provisions, the Bank also allocates general loan loss provision against loans and other receivables, in line with the requirements set out in the regulation mentioned above.

IX. Explanations on Offsetting Financial Instruments

Financial assets and liabilities are offset when the Bank has a legally enforceable right to offset, and when the Bank has an intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously.

X. Explanations on Sale and Repurchase Agreements and Securities Lending Transactions

Securities subject to repo (repurchase agreements) are classified as “Financial Assets at Fair Value through Profit and Loss”, “Financial Assets Available for Sale” or “Investments Held to Maturity” according to their purposes to be held in the Bank’s portfolio and evaluated within the principles of the relevant portfolio.

Funds obtained from repurchase agreements are followed under the “Funds Provided Under Repurchase Agreements” account in liabilities, and interest expense accruals are calculated using the internal rate of return method on the difference between the sales and repurchase prices corresponding to the period designated by a repurchase agreement.

Reverse repo transactions are recorded under the “Receivables from Reverse Repurchase Agreements” account. Interest income accruals are calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a reverse repo agreement.

XI. Explanations on Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities

Assets held for sale are measured at the lower of the carrying value of assets and fair value less any cost incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. An asset shall be classified as held for sale, only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed of (or else the group of assets), together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. Various events and conditions may extend the completion period of the disposal more than a year. If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement.

XII. Explanations on Goodwill and Other Intangible Assets

As at the balance sheet date, The Bank does not have any goodwill in its accompanying unconsolidated financial statements.

The Bank’s intangible assets are composed of software programs. The purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of “TAS 36– Impairment of Assets” and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

The related assets are amortized by the straight-line method in 1-3 years. The amortization method and period are periodically reviewed at the end of each year.

XIII. Explanations on Tangible Assets

Tangible assets purchased before 1 January 2005, are presented in the financial statements at their inflation adjusted acquisition costs as of 31 December 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of “TAS 36 – Impairment of Assets” and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Assets under construction for leasing or for administrative purposes or for other objectives, which are not presently determined, are amortized when they are ready for use.

The acquisition costs of tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized prospectively.

Assets acquired through finance lease are amortized at the estimated useful life or the leasing period, whichever is shorter.

Costs of operational lease development are amortized at equal amounts considering the period of benefit. Yet, in any case, the period of benefit cannot exceed the period of lease. In case the period of lease is indefinite or longer than 5 years, the amortization period is considered to be 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets or the inactivation of a tangible asset and the book value of the tangible assets are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages on tangible assets.

The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	4-50	2-25%
Safe Boxes	2-50	2-50%
Other Movables	2-25	4-50%
Leased Assets	4-5	20-25%

XIV. Explanations on Leasing Transactions

Assets acquired through finance lease are capitalized by the lower of the fair values or the discounted values of the leasing payments and the total amount of leasing payments are recorded as liabilities while the interest amounts are recorded as deferred interest expense. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated. Within the context of the Bank's general borrowing policy, financial expenses are recognized in the income statement. Leased assets are recorded under "Tangible Assets" account and they are amortized by straight-line method.

The Bank conducts no leasing operations as a "Lessor".

Transactions related to operating lease are accounted as per the provisions of the relevant agreement and on accrual basis.

XV. Explanations on Provisions and Contingent Liabilities

Provision is set aside in the financial statements in case that a liability resulting from past events exists, that an outflow funds, which have economic use is probable in order to fulfill the liability and that the amount of the related liability can be estimated reliably.

The provision amount is calculated by estimating in the most reliable way the expense to be made as at the balance sheet date to fulfill the liability by considering the risks and uncertainties related to the liability.

In case the provision is measured by using the estimated cash flows required to fulfill the existing liability, the book value of the related liability is equal to the present value of the related cash flows.

In case there is no probability of resource outflow in order to fulfill the liability and that the amount of liability cannot be measured in a sufficiently reliable way, the liability is considered as "Contingent Liability" and information is provided thereon in the footnotes.

XVI. Explanations on Contingent Assets

Contingent assets consist of unplanned or other unexpected events that usually cause a probable entry of economic uses in the Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements, but on the other hand, if the entry of the economic uses of these assets in the Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the entry of the economic use in the Bank is almost certain, the related asset and the respective income are shown in the financial statements of the period in which the change occurred.

XVII. Explanations on Liabilities Regarding Employee Benefits

1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who 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. The Bank also allocates provision for the unused paid vacation.

2. Retirement Benefit Obligations

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı ("İşbank Pension Fund"), of which each Bank employee is a member, has been established according to the provisional Article 20 of the Social Security Act No. 506. As per provisional article nr.23 of the Banking Law Nr.5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Act, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 nr. 2006/11345. However, the related article of the act has been cancelled upon the President's application dated 2 November 2005, by the Supreme Court's decision dated 22 March 2007, nr. E.2005/39, K.2007/33, which was published on the Official Gazette dated 31 March 2007 and nr. 26479 and the execution decision was ceased as of the issuance date of the related decision.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and nr.26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law nr. 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and nr. 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation, and that the three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision. The related three-year transfer period has been prolonged for 2 years by the Cabinet decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and nr. 27900.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

The above mentioned 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, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, 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 the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash,
- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Bank had an actuarial valuation made for the aforementioned pension fund as of 31 December 2011 and set aside additional provision for the difference between the amount of the actuarial and technical deficit in the actuarial report dated 16 January 2012 and the amount of provision set aside in the financial statements until the current period. The actuarial assumptions used in the related actuarial report are given in Part Five Note II-9.

Up to now, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund), which has been founded by the Bank employees in accordance with the rules of the Civil Code and which provides subsequent retirement benefits; and the Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of covering its total obligations, and that it shall not constitute an additional liability for the Bank.

XVIII. Explanations on Taxation

1. Corporate Tax:

In accordance with Article nr. 32 of the Corporate Tax Law nr. 5520, 20% rate is used in the calculation of the corporate tax. As per the related law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The temporary provisional tax for the end of the year 2011will be paid in February 2012 and will be offset with the current period's corporate tax.

Tax expense is the total amount of current tax and deferred tax. Tax liability for the current period is calculated over the taxable part of the period profit. Taxable profit differs from the profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxes are shown in the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law nr. 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovables are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

2. Deferred Tax:

Deferred tax asset or liability is recognized by calculating the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit and this calculation is made by using the balance sheet liability method based on enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The general provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

Deferred tax assets and liabilities are shown in financial tables by way of offsetting.

3. Tax Practices in the Countries that Foreign Branches Operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% corporate tax and 15% income tax. The tax bases for companies are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of the companies. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is are higher than the corporate tax payable, the difference is deducted from income tax payable.

England

Corporate gains are subject to 26% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the tax base of the relevant year, is higher than the amount found by dividing 1,500,000 GBP (exact value), as specified in regulations, by the number of participations, in which the Bank has 75% or more share, plus one, the corporate tax payments are made as temporary tax payments in four installments in July and October of the relevant year and in January and April of the following year. Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the afore-mentioned threshold, corporate tax is paid by the end of January of the second year following the year that the profit is made.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

The Republic of Iraq (Iraq)

Corporate gains are subject to 15% income tax in Iraq. Income tax is accrued at the end of the year and paid in the following year to the related tax administration by the end of June, at the latest.

4. Transfer Pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

XIX. Additional Explanations on Borrowings

The Bank resorts to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bonds/bills. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

XX. Explanations on Share Certificates and Issues

Costs incurred during the issue of shares are accounted as expenses.

Dividend payments are determined by the resolution of the General Assembly of Shareholders.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Bank's earnings per share calculations taking place in the income statement are as follows.

	Current Period	Prior Period
Profit attributable to shareholders	2,667,487	2,982,210
Weighted average number of share certificates ('000)	112,502,250	112,502,250
Earnings per share – in exact TL	0.023710521	0.026508003

XXI. Explanations on Bank Acceptances and Bills of Guarantee

The Bank's acceptances and bills of guarantee are accounted concurrently with the payments by customers, and are shown as potential liabilities and commitments under off-balance sheet items.

XXII. Explanations on Government Incentives

The Bank has received no government incentives during the current or prior accounting periods.

XXIII. Explanations on Segment Reporting

Business segment is the part of an enterprise,

- which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise),
- whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment, and
- which has its separate financial information.

Information on the Bank's activity segmentation is given in Part Four Note XI.

XXIV. Explanations on Other Issues

None.

PART FOUR: INFORMATION ON THE FINANCIAL STRUCTURE

I. Explanations on Capital Adequacy Standard Ratio

The Bank's capital adequacy standard ratio is 14.07%.

The capital adequacy standard ratio is calculated by risk weighting of risk-weighted assets and non-cash loans in accordance with the ratios in the relevant legislation, and by adding the Value at Market Risk which is determined by the Standard Method, and the Value at Operational Risk which is determined by the Basic Indicator Approach, to the risk-weighted assets.

Information related to capital adequacy ratio:

	Risk Weights						
	Bank Only						
	0%	10%	20%	50%	100%	150%	200%
Value at Credit Risk							
Balance Sheet Items (Net)	**31,139,072**		**2,874,638**	**17,454,001**	**75,411,974**	**1,340,825**	**2,905,123**
Cash	1,231,348		116				
Securities in Redemption							
Balances with the Central Bank of Turkey	5,689,128						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches			2,010,947		242,952		
Interbank Money Market Placements	43,127						
Receivables from Reverse Repo Transactions							
Reserve Deposits	6,816,313						
Loans	3,270,203		442,100	17,081,852	65,183,980	1,340,825	2,905,123
Non-performing Loans (Net)							
Lease Receivables							
Financial Assets Available for Sale							
Investments Held to Maturity	11,752,085				20,322		
Receivables From Installment Sale of Assets					55		
Miscellaneous Receivables					1,119,947		
Interest and Income Accruals	1,735,986		23,012	372,149	799,774		
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)					6,275,017		
Tangible Assets					1,735,806		
Other Assets	600,882		398,463		34,121		
Off Balance Sheet Items	**128,098**		**2,447,221**	**781,943**	**22,011,235**		
Non-cash Loans and Commitments	128,098		1,388,564	781,943	21,684,253		
Derivative Financial Instruments			1,058,657		326,982		
Non- Risk Weighted Accounts							
Total Risk Weighted Assets	**31,267,170**		**5,321,859**	**18,235,944**	**97,423,209**	**1,340,825**	**2,905,123**

Summary information about the bank only standard capital adequacy ratio:

	Current Period	Prior Period
Value at Credit Risk (VaCR)	115,427,036	80,616,131
Value at Market Risk (VaMR)	5,773,788	5,525,375
Value at Operational Risk (VaOR)	11,275,425	10,715,692
Shareholders' Equity	18,643,083	16,995,505
Shareholders' Equity/ (VaCR+VaMR+VaOR)*100	14.07	17.55

Information about the shareholders' equity items:

	Current Period	Prior Period
CORE CAPITAL (TIER I)		
Paid-In Capital	**4,500,000**	**4,500,000**
Nominal Capital	4,500,000	4,500,000
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,615,938
Share Premium	3,694	3,694
Share Cancellation Profits		
Legal Reserves	1,646,564	1,444,476
I. Legal Reserve (Turkish Commercial Code 466/1)	1,351,124	1,209,601
II. Legal Reserve (Turkish Commercial Code 466/2)	295,440	234,875
Other Legal Reserve Per Special Legislation		
Statutory Reserves		
Other Profit Reserves	89,767	-15,716
Extraordinary Reserves	5,731,242	3,941,296
Reserves Allocated by the General Assembly	5,298,144	3,290,176
Retained Earnings	433,098	651,120
Accumulated Loss		
Exchange Rate Difference on Foreign Currency Share Capital		
Legal, Statutory and Extraordinary Reserves Inflation Adjustments		
Profit	2,667,487	2,982,210
Net Current Period Profit	2,667,487	2,982,210
Prior Periods' Profit		
Provision for Possible Losses up to 25% of the Core Capital	950,000	950,000
Gain on Sale of Associates, Subsidiaries and Real Estates	159,524	
Primary Subordinated Loans up to 15% of the Core Capital		
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	117,892	113,754
Prepaid Expenses (-) **(*)**		97,176
Intangible Assets (-)	63,677	32,619
Deferred Tax Asset excess of 10% of the Core Capital (-)		
Limit Excesses as per Paragraph 3 of Article 56 of the Banking Law (-)		
Total Core Capital	**17,182,647**	**15,178,349**
SUPPLEMENTARY CAPITAL (TIER II)		
General Loan Loss Provision	1,245,245	699,489
45% of Movables' Revaluation Reserve		
45% of Immovables' Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures)	26,692	26,692
Primary Subordinated Loans Excluding the Portion included in the Core Capital		
Secondary Subordinated Loan		
45% of Marketable Securities Value Increase Fund **(**)**	453,973	1,131,846
Associates and Subsidiaries	777,974	1,028,738
Financial Assets Available for Sale	-324,001	103,108
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments (excluding the inflation adjustments to legal reserves, status reserves and extraordinary reserves)		
Total Supplementary Capital	**1,725,910**	**1,858,027**

TIER III CAPITAL		
CAPITAL	**18,908,557**	**17,036,376**
DEDUCTIONS FROM THE CAPITAL	**265,474**	**40,871**
Investments in unconsolidated entities (domestic/foreign) of which the Bank Keeps 10% or More of the Shares and Operating in Banking and Financial Sectors		
Investments in entities (domestic/foreign) operating in Banking and Financial Sectors of which the Bank keeps the shares less than 10%, but exceeding 10% or more of the total core and supplementary capitals		
Loans to banks, financial institutions (domestic/foreign), holders of qualified shares in the form of secondary subordinated loan and debt instruments purchased from those parties qualified as primary or secondary subordinated loan		
Loans granted non-compliant with the articles 50 and 51 of the Banking Law	326	
Net book values of real estates exceeding 50% of the capital and of assets acquired against overdue receivables and held for sale as per article 57 of the Banking Law but retained more than five years	65,939	40,871
Others (***)	199,209	
TOTAL SHAREHOLDERS' EQUITY	**18,643,083**	**16,995,505**

(*) As per the "Regulation Amending the Regulation on Equities of Banks", published on the Official Gazette dated 10 March 2011 and nr. 27870, "Prepaid Expenses" have been removed from the items deducted from the core capital.
(**) According to the related regulation, when calculating the supplementary capital, total balance amount is taken into consideration if the items subject to the Marketable Securities Value Increase Fund have a negative balance, and 45% of the balance amount is taken into consideration if their balance is positive.
(***) It includes the deductions from the capital in accordance with the decision of the Banking Regulation and Supervision Agency dated 16 December 2010 and nr. 3980, published on the Official Gazette dated 18 December 2010 and no. 27789.

II. Explanations on Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Bank.

The Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Bank's Risk Group, including the Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

Utmost importance is given to ensure that loans are furnished with collaterals. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees.

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic market in this particular area, the Bank uses derivative transactions either for hedging or for commercial purposes.

Derivative instruments, which consist a remarkable volume, are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the rating system that has been developed and credit limits are assigned accordingly.

6. (i) The share of the Bank's receivables from the top 100 cash loan customers in the overall cash loan portfolio stands at 25% (31.12.2010: 26%).

(ii) The share of the Bank's receivables from the top 100 non-cash loan customers in the overall non-cash portfolio stands at 48% (31.12.2010: 43%).

(iii) The share of the Bank's cash and non-cash receivables from the top 100 loan customers in the overall cash and non-cash loans stands at 16% (31.12.2010: 14%).

Companies that are among the top 100 loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the general provisions allocated for credit risk stands at TL 1,245,245.

8. The Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period	Prior Period
Strong	34.26%	29.13%
Standard	55.06%	55.96%
Below Standard	8.74%	10.29%
Not Rated/Scored	1.94%	4.62%

The table data comprises application rating/scoring results and in case the behavior rating/scoring results are taken into account, for the current period, strong becomes 40.39%, standard 49.68%, below standard 4.82% and not rated/scored becomes 5.11%.

9. The net values of the collaterals of the closely monitored loans are given below in terms of collateral types and risk matches.

	Current Period		Prior Period	
Type of Collateral	**Net Value of the Collateral**	**Loan Balance**	**Net Value of the Collateral**	**Loan Balance**
Real Estate Mortgage (*)	542,046	542,046	641,534	641,534
Vehicle Pledge	80,534	80,534	103,281	103,281
Cash Collateral (Cash, securities pledge, etc.)	11,099	11,099	6,234	6,234
Pledge on Wages	72,823	72,823	46,991	46,991
Cheques & Notes	18,299	18,299	17,486	17,486
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	81,503	81,503	80,303	80,303
Non-collateralized		626,462		548,602
Total	**806,304**	**1,432,766**	**895,829**	**1,444,431**

(*) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

10. The net values of the collaterals of non-performing loans are given below in terms of collateral types and risk matches.

	Current Period		Prior Period	
Type of Collateral	**Net Value of the Collateral**	**Loan Balance**	**Net Value of the Collateral**	**Loan Balance**
Real Estate Mortgage (*)	426,461	426,461	493,930	493,930
Cash Collateral	26	26	54	54
Vehicle Pledge	89,065	89,065	137,220	137,220
Other (suretyship, commercial enterprise under pledge, commercial papers, etc.)	46,618	46,618	62,355	62,355

(*)The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

11. The aging analysis of the loans past due but not impaired is as follows:

Current Period	**31-60 Days**	**61-90 Days**	**Total**
Loans			
Corporate / Commercial Loans (*)	18,636	14,790	33,426
Consumer Loans (*)	22,181	10,340	32,521
Credit Cards	121,911	85,568	207,479
Total (**)	**162,728**	**110,698**	**273,426**

(*)Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 183,818 and TL 187,103 respectively.
(**)The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 31 days is TL 788,419.

Prior Period	**31-60 Days**	**61-90 Days**	**Total**
Loans			
Corporate / Commercial Loans (*)	37,682	31,142	68,824
Consumer Loans (*)	26,038	13,633	39,671
Credit Cards	58,869	43,269	102,138
Total (**)	**122,589**	**88,044**	**210,633**

(*)Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts which are not due as of the balance sheet date are equal to TL 274,745 and TL 185,211 respectively.
(**)The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 31 days is TL 773,842.

12. Credit risk by types of borrowers and geographical concentration:

	Loans to Individuals and Entities		Loans to Banks and Other Financial Institutions		Securities (*)		Other Loans (**)	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Borrowers' Concentration								
Private Sector	61,337,732	40,182,109	2,239,902	1,893,269	77,934	76,540	43,686,156	25,511,283
Public Sector	2,051,873	1,551,512			40,145,002	42,912,526	228,817	140,384
Banks			534,560	920,285	2,541,415	2,434,815	31,972,503	24,311,597
Retail Customers	25,456,571	19,684,503					15,928,048	15,760,930
Share Certificates					13,676	12,676	6,275,017	6,264,039
Geographical Concentration								
Domestic	87,596,202	60,711,111	2,635,509	2,438,798	40,367,902	42,102,858	66,666,019	47,905,991
European Union (EU)	452,000	104,470	54,734	341,708	2,356,312	3,286,363	28,812,455	22,317,143
OECD Countries (***)				232			1,468,981	926,270
Off-Shore Banking Regions		42,540		27	37,702	30,877		
USA, Canada	11,721	157					440,554	126,372
Other Countries	786,253	559,846	84,219	32,789	16,111	16,459	702,532	712,457
Total	**88,846,176**	**61,418,124**	**2,774,462**	**2,813,554**	**42,778,027**	**45,436,557**	**98,090,541**	**71,988,233**

(*) Includes financial assets at fair value through profit or loss, financial assets available for sale and investments held to maturity.
(**) Includes banks, money market operations, non-cash loans, commitments qua loans, investments in associates and subsidiaries, and derivative instruments.
(***) OECD countries other than EU countries, USA and Canada.

13. Information on geographical concentration:

	Assets (*)	Liabilities(**)	Non-Cash Loans	Fixed Capital Investments	Net Profit
Current Period					
Domestic	149,258,525	119,010,982	24,343,834	13,622	2,487,117
European Union Countries	4,246,816	19,494,625	1,020,724	146,436 (***)	7,114
OECD Countries (****)	462,915	505,571	94,414		
Off-Shore Banking Regions	37,702				149,272
USA, Canada	206,513	2,334,732	26,766		
Other Countries	1,167,394	2,401,230	364,267	57,456(***)	23,984
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				6,071,125	
Unallocated Assets/Liabilities					
Total	**155,379,865**	**143,747,140**	**25,850,005**	**6,288,639**	**2,667,487**
Prior Period					
Domestic	118,375,643	96,914,164	14,054,964	12,622	3,143,875
European Union Countries	5,544,172	15,067,422	669,436	41,480(***)	2,409
OECD Countries (****)	564,186	314,788	87,719		
Off-Shore Banking Regions	73,444				-197,152
USA, Canada	79,453	514,537	31,868		
Other Countries	882,935	1,971,779	438,616		33,078
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				6,222,559	
Unallocated Assets/Liabilities					
Total	**125,519,833**	**114,782,690**	**15,282,603**	**6,276,661**	**2,982,210**

(*)The sum of assets and fixed capital investments reflect the total assets in the balance sheet.
(**)Among liabilities, the shareholders' equity items are not taken into consideration.
(***)The balances indicate our subsidiaries located abroad.
(****)OECD countries other than EU countries, the USA, and Canada.

14. Sector concentration of cash loans:

	Current Period				Prior Period			
	TL	**(%)**	**FC**	**(%)**	**TL**	**(%)**	**FC**	**(%)**
Agricultural	867,613	1.48	28,234	0.09	639,112	1.46	32,251	0.16
Farming and Raising Livestock	712,722	1.21	21,498	0.07	522,682	1.19	14,718	0.07
Forestry	111,275	0.19	354	0.00	84,497	0.20	9,568	0.05
Fishing	43,616	0.08	6,382	0.02	31,933	0.07	7,965	0.04
Industry	9,507,823	16.17	14,297,117	43.57	6,981,466	15.93	9,226,407	45.22
Mining	273,509	0.47	397,878	1.21	204,573	0.47	188,598	0.92
Production	8,943,489	15.21	9,892,573	30.15	6,576,167	15.00	6,897,790	33.81
Electricity, gas, and water	290,825	0.49	4,006,666	12.21	200,726	0.46	2,140,019	10.49
Construction	2,964,597	5.04	1,832,538	5.58	2,033,097	4.64	1,057,520	5.18
Services	19,955,204	33.93	14,328,878	43.66	14,421,067	32.90	8,424,549	41.28
Wholesale and Retail Trade	10,615,725	18.05	3,043,743	9.27	7,465,370	17.03	1,988,050	9.74
Hotel, Food and Beverage Services	637,079	1.08	1,300,610	3.96	498,065	1.14	385,246	1.89
Transportation and Telecommunication	3,699,621	6.29	4,085,921	12.45	2,443,012	5.57	2,467,932	12.09
Financial Institutions	2,119,505	3.61	2,095,594	6.39	1,602,515	3.66	2,080,299	10.20
Real Estate and Renting Services	1,324,603	2.25	2,549,693	7.77	1,193,284	2.72	1,025,843	5.03
Self-Employment Services	869,487	1.48	941,866	2.87	676,841	1.55	181,548	0.89
Education Services	219,396	0.37	212,615	0.65	176,230	0.40	202,930	0.99
Health and Social Services	469,788	0.80	98,836	0.30	365,750	0.83	92,701	0.45
Other	25,508,490	43.38	2,330,144	7.10	19,752,201	45.07	1,664,008	8.16
Total	**58,803,727**	**100.00**	**32,816,911**	**100.00**	**43,826,943**	**100.00**	**20,404,735**	**100.00**

III. Explanations on Market Risk:

The market risk carried by the Bank is measured by two separate methods known respectively as the Standard Method and the Value at Risk Model in accordance with the local regulations adopted from internationally accepted practices. In this context, interest rate risk emerges as the most important component of the market risk.

The market risk measurements are carried out by applying the Standard Method at the end of each month and the results are included in the statutory reports as well as being reported to the Bank's top management.

The Value at Risk Model (VAR) is another alternative for the Standard Method used for measuring and monitoring market risk. This model is used to measure the market risk on a daily basis in terms of interest rate risk, exchange rate risk and equity share risk and is a part of the Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR model used to measure the losses that may occur in the ordinary market conditions are conducted, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Bank's portfolio are determined and the results are reported to the Top Executive Management.

The limits set for the market risk management within the framework of the Bank's asset liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out with the "Standard Method for Market Risk Measurement" and within the context of "Regulation for Evaluating and Measuring the Capital Adequacy of Banks" as of 31 December 2011.

1. Information on the market risk:

	Amount
(I) Capital Obligation against General Market Risk – Standard Method	216,566
(II) Capital Obligation against Specific Risk – Standard Method	45,607
(III) Capital Obligation against Currency Risk – Standard Method	196,774
(IV) Capital Obligation against Stocks Risk – Standard Method	2,870
(V) Capital Obligation against Exchange Risk – Standard Method	
(VI) Capital Obligation against Market Risk of Options – Standard Method	86
(VII) Capital Obligation against Market Risks of Banks Applying Risk Measurement Models	
(VIII) Total Obligation against Market Risk (I+II+III+IV+V+VI)	461,903
(IX) Value at Market Risk (12,5 x VIII) or (12,5 x VII)	5,773,788

2. Table of the average market risk related to the market risk calculated at the ends of months during the period:

	Current Period			**Prior Period**		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	249,529	280,708	229,357	297,872	339,889	255,098
Share Certificate Risk	9,592	9,694	9,779	9,316	9,247	9,327
Currency Risk	214,982	202,190	213,693	155,844	163,068	159,286
Commodity Risk	2,628	107	583			
Settlement Risk						
Options Risk	526	860	80	626	792	382
Total Value at Risk	5,965,713	6,169,488	5,668,650	5,795,725	6,412,450	5,301,163

IV. Explanations on Operational Risk

Operational risk is defined in general as "the risk of loss that may be arising from inadequate or ineffective internal processes, people, systems or other external factors".

The classification of operational risks that might be encountered during the activities is followed by preparing the "Risk Catalog of the Bank". This Risk Catalogue is the basis to be used in the definition and classification of all risks that may be exposed to and is updated parallel to the changing conditions.

The principles on specifying, defining, evaluating, measuring, monitoring, controlling and reporting the operational risk and the responsibilities regarding operational risk management are stated in the "Operational Risk Policy".

In the assessment of operational risk, "Self-Assessment Methodology" is applied. This method requires identifying the risks through the participation of the personnel who is responsible for undertaking the operation. Both qualitative and quantitative methods are used in the measurement and evaluation of operational risk. Information derived from the "Impact-Likelihood Analysis" and "Lost Case Data Analysis" is used in the measurements.

All the operational risks that are carried during the operations, the risk levels of the operations and/or new products/services, together with the losses of the Bank arising from operational risks are regularly monitored by the Risk Management Department, and if deemed necessary, the risk levels are updated and periodically reported to the Risk Committee and the Board of Directors.

The operational risk, to which the Bank is exposed, is measured using the Basic Indicator Approach in which the average of 15% of the year-end gross income of the last three years is multiplied by 12.5, in line with the domestic regulations. The operational risk amount used for the current period is TL 11,275,425 (31.12.2010: TL 10,715,692).

V. Explanations on Currency Risk

The currency risk for the Bank is a result of the difference between the Bank's assets denominated in foreign currencies and indexed to foreign currencies and liabilities denominated in foreign currencies. On the other hand, parity fluctuations of different foreign currencies are also another element of the currency risk.

The currency risk is managed by the internal currency risk limits which are established as a part of the Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks, within the framework of the limits drawn by the "Net FC Overall Position/Shareholders' Equity" ratio, which is a part of the legal requirement, and the internal currency risk limits specifies by the Board of Directors and the decisions made on such compliance are strictly applied.

In measuring exchange rate risk, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging exchange rate risk.

Risk measurements made within the context of the Value at Risk Model (VAR) are made on a daily basis using the historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on exchange rate risk are reported to the Top Management and the risks are closely monitored by taking into account the market and the economic conditions.

Foreign exchange buying rates of the Bank at the date of the balance sheet and for the 5 working days prior to the related date:

Date	USD	EUR	JPY
31.12.2011	1.8800	2.4327	0.0244
30.12.2011	1.8800	2.4327	0.0244
29.12.2011	1.9100	2.4670	0.0246
28.12.2011	1.9000	2.4618	0.0244
27.12.2011	1.8930	2.4740	0.0243
26.12.2011	1.8850	2.4629	0.0242

The Bank's average FC buying rate over a period of thirty days preceding the date of the financial statement:

USD: TL 1.8414 **EURO:** TL 2.4226 **JPY:** TL 0.0237

Sensitivity to currency risk:

The Bank's sensitivity to any potential change in foreign currency rates has been analyzed. In the analysis presented below 10% change, which is also the amount used for the internal reporting purposes, is anticipated in USD, EUR and GBP.

	% Change in Foreign Currency	Effects on Profit/Loss (*)	
		Current Period	Prior Period
USD	10% increase	145,566	215,053
	10% decrease	-145,566	-215,053
EUR	10% increase	-94,839	-24,750
	10% decrease	94,839	24,750
GBP	10% increase	98,199	-2,224
	10% decrease	-98,199	2,224

(*) Indicates the values before tax.

Information on currency risk:

	EURO	USD	JPY	Other FC	Total
Current Period					
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	7,027,475	168,514	1,393	1,475,421	8,672,803
Banks	419,260	865,426	7,373	722,182	2,014,241
Financial Assets at Fair Value through Profit/Loss (1)	94,503	550,331			644,834
Money Market Placements	24,333	18,808			43,141
Financial Assets Available for Sale	585,627	9,717,530			10,303,157
Loans (2)	10,779,789	24,638,017	78,741	468,171	35,964,718
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	203,892				203,892
Investments Held to Maturity	2,000	6,220		5,588	13,808
Derivative Financial Assets Held for Risk Management					
Tangible Assets (1)		262		164	426
Intangible Assets					
Other Assets (1)	219,108	460,706	2,685	2,721	685,220
Total Assets	**19,355,987**	**36,425,814**	**90,192**	**2,674,247**	**58,546,240**
Liabilities					
Banks Deposits	467,164	586,731	35	340,735	1,394,665
Foreign Currency Deposits (3)	14,136,415	18,667,785	21,696	3,760,079	36,585,975
Money Market Funds	210,702	5,659,188			5,869,890
Funds Provided from Other Financial Institutions	4,148,904	6,787,439		1,176	10,937,519
Marketable Securities Issued		952,974			952,974
Miscellaneous Payables	277,975	156,925	900	7,918	443,718
Derivative Financial Liabilities Held for Risk Management					
Other Liabilities (1)	470,222	1,182,380	485	9,121	1,662,208
Total Liabilities	**19,711,382**	**33,993,422**	**23,116**	**4,119,029**	**57,846,949**
Net On Balance Sheet Position	**-355,395**	**2,432,392**	**67,076**	**-1,444,782**	**699,291**
Net Off Balance Sheet Position	**-590,273**	**-898,497**	**-61,841**	**1,959,164**	**408,553**
Derivative Financial Assets (4)	3,303,355	7,216,039	11,099	2,764,381	13,294,874
Derivative Financial Liabilities (4)	3,893,628	8,114,536	72,940	805,217	12,886,321
Non-Cash Loans	4,475,820	10,726,324	536,469	171,121	15,909,734
Prior Period					
Total Assets	13,378,099	26,242,773	92,386	892,046	40,605,304
Total Liabilities	15,394,048	24,448,433	19,308	1,616,536	41,478,325
Net Balance Sheet Position	**-2,015,949**	**1,794,340**	**73,078**	**-724,490**	**-873,021**
Net Off Balance Sheet Position	**1,709,328**	**-257,970**	**-430,828**	**726,090**	**1,746,620**
Derivative Financial Assets	3,204,497	6,209,285	150,683	867,892	10,432,357
Derivative Financial Liabilities	1,495,169	6,467,255	581,511	141,802	8,685,737
Non-Cash Loans	2,695,335	5,742,111	226,254	77,233	8,740,933

(1) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Derivative Financial Instruments Foreign Currency Income Accruals (TL 252,275), Operating Lease Development Costs (TL 2,543), Prepaid Expenses (TL 8,018) in assets and Derivative Financial Instruments Foreign Currency Expense Accruals (TL 216,272) and Shareholders' Equity (TL 137,501) in liabilities are not taken into consideration in the currency risk measurement.
(2) Also includes foreign currency indexed loans, which are followed under TL accounts. Of the total amount of TL 3,147,807 of the aforementioned loans; TL 1,702,544 is USD indexed, TL 1,351,135 is EUR indexed, TL 19,006 is CHF indexed, TL 1,783 is GBP indexed, TL 73,329 is JPY indexed and TL 10 is CAD indexed.
(3) The item includes TL 2,479,052 precious metals deposit accounts.
(4) The derivative transactions are taken into consideration within the context of the forward foreign currency trading definitions in the above mentioned Regulation.

VI. Explanations on Interest Rate Risk

"Interest Rate Risk" is defined as the decrease that can arise in the value of the Bank's interest sensitive assets, liabilities and off-balance sheet operations a result of interest rate fluctuations. The method of average maturity gap according to the repricing periods is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly covered in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits above the average maturity gaps according to the repricing periods determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the historical data and expectations are also used in the management of the related risk.

Interest rate sensitivity:

In this part, the sensitivity of the Bank's assets and liabilities to the interest rates has been analyzed assuming that the year end balance figures were the same throughout the year.

During the measurement of the Bank's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between the expectancy value of the portfolio after one year in case there is no change in interest rates and the value of the portfolio one year later, which is measured after the interest shock, the interest income to be additionally earned/to be deprived of during the one year period due to the renewal or repricing of the related portfolio at the interest rates formed after the interest shock.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Bank's profit and shareholders' equity in case of 1 point increase/decrease in TL and FC interest rates on the reporting day are given below.

% Change in the Interest Rate (*)		Effect On Profit/Loss (**)		Effect on Equity (***)	
TL	FC (****)	Current Period	Prior Period	Current Period	Prior Period
1 point increase	1 point increase	-10,936	-373,135	-381,497	-74,147
1 point decrease	1 point decrease	57,567	273,686	410,069	75,800

(*) The effects on the profit/loss and shareholders' equity are stated with their before tax values.

(**) The effect on the profit/loss is mainly arising from the fact that the average maturity of the Bank's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.

(***) The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets Available for Sale.

(****) Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.

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Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods)

	Up to 1 Month	1-3 Months	3-12 Months	1-5Years	5 Years and Over	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						13,736,905	13,736,905
Banks	1,677,911	1,142	55,100	499		519,684	2,254,336
Financial Assets at Fair Value through Profit/Loss	334,538	575,480	334,552	325,416	5,971	54	1,576,011
Money Market Placements	43,141						43,141
Financial Assets Available for Sale	6,979,307	3,614,543	6,673,539	7,253,244	4,060,712	71,503	28,652,848
Loans	27,145,215	10,368,336	20,149,080	27,748,602	6,201,887	7,518	91,620,638
Investments Held to Maturity	150,540	5,044,532	5,612,337	2,658,293			13,465,702
Other Assets	246,485	54	302			10,072,082	10,318,923
Total Assets	**36,577,137**	**19,604,087**	**32,824,910**	**37,986,054**	**10,268,570**	**24,407,746**	**161,668,504**
Liabilities							
Banks Deposits	1,235,737	565,552	168,195	28,222		250,431	2,248,137
Other Deposits	57,150,129	15,231,481	5,164,561	161,281		18,357,545	96,064,997
Money Market Funds	16,540,123	511,762	2,233,920	175,265			19,461,070
Miscellaneous Payables	301,819					3,039,131	3,340,950
Marketable Securities Issued	596,484	762,904	1,489,469	932,564			3,781,421
Funds Provided from Other Financial Institutions	6,033,374	3,083,354	1,937,638	81,321	12,521		11,148,208
Other Liabilities*	184,725	723,683	1,104,280	78,481	3,106	23,529,446	25,623,721
Total Liabilities	**82,042,391**	**20,878,736**	**12,098,063**	**1,457,134**	**15,627**	**45,176,553**	**161,668,504**
Balance Sheet Long Position			20,726,847	36,528,920	10,252,943		67,508,710
Balance Sheet Short Position	-45,465,254	-1,274,649				-20,768,807	-67,508,710
Off Balance Sheet Long Position	2,822,000	5,895,000					8,717,000
Off Balance Sheet Short Position			-818,655	-7,162,295	-188,000		-8,168,950
Total Position	**-42,643,254**	**4,620,351**	**19,908,192**	**29,366,625**	**10,064,943**	**-20,768,807**	**548,050**

(*) Shareholders' equity is shown in "non-interest bearing" column.

Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	5,307					8,517,318	8,522,625
Banks	3,104,352					80,766	3,185,118
Financial Assets at Fair Value through Profit/Loss	108,672	226,490	330,901	60,926	5,823	54	732,866
Money Market Placements							
Financial Assets Available for Sale	5,687,294	3,763,526	8,836,915	10,509,791	2,484,611	78,277	31,360,414
Loans	20,841,623	6,741,754	12,077,240	20,305,910	4,247,163	17,988	64,231,678
Investment Held to Maturity	150,583	4,767,576	4,435,523	4,250,303			13,603,985
Other Assets	281,200	44	160			9,878,404	10,159,808
Total Assets	**30,179,031**	**15,499,390**	**25,680,739**	**35,126,930**	**6,737,597**	**18,572,807**	**131,796,494**
Liabilities							
Banks Deposits	1,712,723	385,350	101,842			269,469	2,469,384
Other Deposits	58,126,406	14,508,229	3,653,260	108,873		9,394,005	85,790,773
Money Market Funds	6,554,165	1,351,580	2,114,499	138,646			10,158,890
Miscellaneous Payables	6,518					2,543,474	2,549,992
Marketable Securities Issued							
Funds Provided from Other Financial Institutions	1,788,615	3,219,176	3,023,271	11,380			8,042,442
Other Liabilities*	73,006	417,210	731,106	14,425		21,549,266	22,785,013
Total Liabilities	**68,261,433**	**19,881,545**	**9,623,978**	**273,324**		**33,756,214**	**131,796,494**
Balance Sheet Long Position			16,056,761	34,853,606	6,737,597		57,647,964
Balance Sheet Short Position	-38,082,402	-4,382,155				-15,183,407	-57,647,964
Off Balance Sheet Long Position	2,177,000	4,214,500	628,000				7,019,500
Off Balance Sheet Short Position				-6,795,950	-154,000		-6,949,950
Total Position	**-35,905,402**	**-167,655**	**16,684,761**	**28,057,656**	**6,583,597**	**-15,183,407**	**69,550**

(*) Shareholders' equity is shown in "non-interest bearing" column.

Average interest rates applied to monetary financial instruments:

	EUR	USD	JPY	TL
Current Period	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	0.92	0.23		9.02
Financial Assets at Fair Value through Profit/Loss	4.10	2.93		11.43
Money Market Placements	4.38	3.88		
Financial Assets Available for Sale	4.19	4.12		8.54
Loans	5.18	4.57	2.78	13.97
Investments Held to Maturity	0.75	7.42		12.98
Liabilities				
Banks Deposits	1.58	3.28		7.91
Other Deposits	2.80	3.41	0.04	8.45
Money Market Funds	3.10	2.24		10.48
Miscellaneous Payables				
Marketable Securities Issued		5.30		9.27
Funds Provided from Other Financial Institutions	2.15	1.89		7.51

	EUR	USD	JPY	TL
Prior Period	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	0.42	0.25	0.02	5.00
Financial Assets at Fair Value through Profit/Loss	2.52	3.33		10.00
Money Market Placements				
Financial Assets Available for Sale	2.00	4.25		8.23
Loans	4.19	3.73	3.87	12.95
Investments Held to Maturity	1.00	7.53		12.74
Liabilities				
Banks Deposits	1.16	2.24		6.96
Other Deposits	2.06	2.26	0.01	7.13
Money Market Funds	2.81	1.62		6.74
Miscellaneous Payables				
Marketable Securities Issued				
Funds Provided from Other Financial Institutions	1.77	1.50		7.61

VII. Explanations on Liquidity Risk

Liquidity risk can arise as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Bank's principal source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. On the other hand, medium and long-term funds are acquired from institutions abroad.

In order to meet the liquidity requirements that may emerge from market fluctuations, considerable attention is paid to preserve liquid assets; efforts in this framework are supported by TL and FC cash flows projections. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and in case of extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio means the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios in the year 2011 with their prior year comparatives are given below.

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
Current Period	**FC**	**FC + TL**	**FC**	**FC + TL**
Average (%)	153.51	179.24	97.51	130.64
Highest (%)	213.52	271.05	116.48	170.87
Lowest (%)	115.11	122.44	82.60	107.70

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
Prior Period	**FC**	**FC + TL**	**FC**	**FC + TL**
Average (%)	207.03	272.95	121.08	165.93
Highest (%)	325.24	394.48	145.69	219.33
Lowest (%)	157.78	209.63	100.40	142.41

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	6,920,592	6,816,313						13,736,905
Banks	649,508	1,548,087	1,142	55,100	499			2,254,336
Financial Assets at Fair Value through Profit/Loss	54	300,219	351,777	202,034	613,764	108,163		1,576,011
Money Market Placements		43,141						43,141
Financial Assets Available for Sale	71,503	1,999,046	650,391	3,658,666	10,454,941	11,818,301		28,652,848
Loans	9,488,164	11,814,508	6,865,730	21,845,288	33,060,730	8,546,218		91,620,638
Investments Held to Maturity			1,932,600	981,113	10,551,989			13,465,702
Other Assets		864,277	26,288	4,132	106,778		9,317,448	10,318,923
Total Assets	**17,129,821**	**23,385,591**	**9,827,928**	**26,746,333**	**54,788,701**	**20,472,682**	**9,317,448**	**161,668,504**
Liabilities								
Bank Deposits	261,709	1,224,459	565,552	168,195	28,222			2,248,137
Other Deposits	18,365,072	57,137,222	15,229,617	5,170,904	162,182			96,064,997
Funds Provided from Other Financial Institutions		223,526	914,506	6,542,503	2,919,574	548,099		11,148,208
Money Market Funds		15,550,371	203,378	2,625,176	338,419	743,726		19,461,070
Marketable Securities Issued		596,484	612,904	1,489,469	1,082,564			3,781,421
Miscellaneous Payables		3,216,708	36,676	42,476	45,090			3,340,950
Other Liabilities		1,162,316	867,571	1,105,387	78,481	3,106	22,406,860	25,623,721
Total Liabilities	**18,626,781**	**79,111,086**	**18,430,204**	**17,144,110**	**4,654,532**	**1,294,931**	**22,406,860**	**161,668,504**
Liquidity Gap	**-1,496,960**	**-55,725,495**	**-8,602,276**	**9,602,223**	**50,134,169**	**19,177,751**	**-13,089,412**	
Prior Period								
Total Assets	12,667,663	18,888,556	6,204,243	22,093,611	51,248,972	11,693,348	9,000,101	131,796,494
Total Liabilities	15,691,861	62,977,035	17,203,540	10,917,789	2,878,857	1,006,866	21,120,546	131,796,494
Liquidity Gap	**-3,024,198**	**-44,088,479**	**-10,999,297**	**11,175,822**	**48,370,115**	**10,686,482**	**-12,120,445**	

(*) Asset items, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which can not be converted to cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in 'Unallocated" column.

In compliance with the Turkish Financial Reporting Standard no.7, the following table indicates the maturities of the Bank's major financial assets and liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of collections and payments without discounting the assets and liabilities. The interest to be collected from and paid to the related assets and liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related assets and liabilities registered in balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	54	4,065	15,387	67,631	651,327	111,114	849,578	190,101	659,477
Banks	649,508	1,548,169	1,146	55,751	510		2,255,084	748	2,254,336
Money Market Receivables		43,162					43,162	21	43,141
Financial Assets Available for Sale	71,503	2,268,357	847,919	4,763,741	13,892,619	15,636,690	37,480,829	8,827,981	28,652,848
Loans	9,488,164	12,108,431	7,525,840	25,096,584	39,576,961	9,720,272	103,516,252	11,895,614	91,620,638
Investments Held to Maturity		15,505	2,325,783	1,624,774	12,455,421		16,421,483	2,955,781	13,465,702
Liabilities									
Deposits	18,626,781	58,564,562	16,024,732	5,483,567	202,910		98,902,552	589,418	98,313,134
Funds Provided from Other Financial Institutions		230,442	935,549	6,646,705	3,205,843	617,016	11,635,555	487,347	11,148,208
Money Market Funds		15,563,407	207,513	2,695,244	427,397	779,808	19,673,369	212,299	19,461,070
Marketable Securities Issued		600,000	628,132	1,573,970	1,257,790		4,059,892	278,471	3,781,421

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	54	3,006	26,279	96,734	328,376	132,907	587,356	115,198	472,158
Banks	305,689	2,879,505					3,185,194	76	3,185,118
Financial Assets Available for Sale	78,277	3,407,695	1,258,498	7,399,934	17,570,061	6,178,144	35,892,609	4,532,195	31,360,414
Loans	6,616,302	9,542,637	4,998,724	17,705,381	26,496,676	6,461,566	71,821,286	7,589,608	64,231,678
Investments Held to Maturity		15,344	1,024,557	832,878	16,330,588	155,110	18,358,477	4,754,492	13,603,985
Liabilities									
Deposits	14,468,760	55,180,838	15,064,698	3,841,102	115,713		88,671,111	410,954	88,260,157
Funds Provided from Other Financial Institutions		127,763	535,562	4,668,762	2,541,098	403,871	8,277,056	234,614	8,042,442
Money Market Funds		6,366,462	1,102,259	1,864,902	300,997	698,021	10,332,641	173,751	10,158,890

The following table shows the remaining maturities of non-cash loans.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,894,169	261,317	468,377	44,326	1,502,279		5,170,468
Endorsements		38,320	118,474		219,075		375,869
Letters of Guarantee	11,109,755	235,171	1,380,447	2,381,053	3,785,303	289,605	19,181,334
Acceptances	15,700	53,538	50,000	36,982	340,902		497,122
Other	21,016	3,678	1,690	81,141	50,861	466,826	625,212
Total	**14,040,640**	**592,024**	**2,018,988**	**2,543,502**	**5,898,420**	**756,431**	**25,850,005**

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	1,207,868	160,538	457,023	293,999	986,515		3,105,943
Endorsements			24,433		6,149		30,582
Letters of Guarantee	7,121,205	239,135	771,152	1,007,482	2,327,656	158,705	11,625,335
Acceptances	10,698	17,141	64,861	8,752	110,086		211,538
Other	4,042	4,148	8,985	93,930	37,500	160,600	309,205
Total	**8,343,813**	**420,962**	**1,326,454**	**1,404,163**	**3,467,906**	**319,305**	**15,282,603**

The following table shows the remaining maturities of derivative financial assets and liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts-Buy	1,594,874	1,912,865	4,209,468	332,494		8,049,701
Forwards Contracts-Sell	1,629,158	1,904,442	4,180,110	332,318		8,046,028
Swaps Contracts-Buy	4,005,766	530,145	1,842,066	11,477,057	2,232,738	20,087,772
Swaps Contracts-Sell	4,255,959	740,154	1,896,200	11,070,793	2,232,738	20,195,844
Futures Transactions-Buy						
Futures Transactions-Sell						
Options-Call	696,314	107,522	1,478,198	845,843	525,782	3,653,659
Options-Put	696,314	107,522	1,478,198	845,843	525,782	3,653,659
Other	285,736	194,101	287,864			767,701
Total	**13,164,121**	**5,496,751**	**15,372,104**	**24,904,348**	**5,517,040**	**64,454,364**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	740,865	441,666	1,626,565	161,948		2,971,044
Forwards Contracts- Sell	737,277	438,362	1,626,009	161,883		2,963,531
Swaps Contracts-Buy	3,461,815		1,216,367	8,647,373	1,682,816	15,008,371
Swaps Contracts-Sell	3,432,539		1,234,211	8,589,823	1,682,816	14,939,389
Futures Transactions-Buy						
Futures Transactions-Sell						
Options-Call	738,368	866,302	607,527	454,635		2,666,832
Options-Put	745,468	856,302	601,027	454,635		2,657,432
Other						
Total	**9,856,332**	**2,602,632**	**6,911,706**	**18,470,297**	**3,365,632**	**41,206,599**

VIII. Explanations on Other Price Risks

The Bank is exposed to the equity share risk arising from its investments in companies which are traded on the ISE. Equity shares are generally obtained for investment purposes.

As of the reporting date, an analysis was made on the assessment of the Bank's sensitivity to equity shares price risk. In the analysis, it is assumed that all the other variables are constant and the data used in the valuation method (share prices) are 10% more /less. According to this assumption TL 425,018 (31.12.2010: TL 451,463) increase/decrease is expected in the Marketable Securities Revaluation Reserve account under the Shareholders' Equity. This, in fact, is arising from the increase/decrease in the fair values of the publicly-traded subsidiaries and associates.

IX. Explanations on Presentation of Assets and Liabilities at Fair Value

1. Information on fair values of financial assets and liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Money Market Placements	43,141		43,141	
Banks	2,254,336	3,185,118	2,255,204	3,185,207
Financial Assets Available for Sale	28,652,848	31,360,414	28,652,848	31,360,414
Investments Held to Maturity	13,465,702	13,603,985	14,145,880	15,258,935
Loans	91,620,638	64,231,678	91,315,884	64,498,611
Financial Liabilities				
Banks Deposits	2,248,137	2,469,384	2,245,736	2,471,769
Other Deposits	96,064,997	85,790,773	96,050,566	85,816,360
Funds Provided from Other Financial Institutions	11,148,208	8,042,442	11,132,274	8,039,143
Marketable Securities Issued	3,781,421		3,746,361	
Miscellaneous Payables	3,340,934	2,549,992	3,340,934	2,549,992

Fair values of investments held to maturity and the marketable securities issued are determined by using the market prices; in cases where market prices cannot be measured, quoted market prices of other securities that are subject to amortization having similar interest, maturity and other conditions are taken as the basis for the fair value determination.

Market prices are taken into account in determining the fair values of the securities available for sale. When the prices cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values.

Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

2. Information on fair value measurements recognized in the financial statements

"TFRS 7 - Financial Instruments: Disclosures" standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the balance sheet at their fair values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2 (*)	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	654,700	4,241	482
Equity Securities	54		
Derivative Financial Assets Held for Trading		916,534	
Other			
Financial Assets Available-for-Sale (**)			
Debt Securities	16,323,600	5,905,679	6,352,066
Other		57,881	
Investments in Subsidiaries and Associates (***)	4,250,180		
Derivative Financial Liabilities		857,882	

(*) Debt securities shown under level 2 include Eurobond securities, whose fair values are determined by taking into consideration the direct or indirect market data.
(**) Since they are not traded in an active market, the equity securities (TL 13,622) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.
(***) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of "TAS 39", these companies are not included in the table.

Prior Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	472,083		
Equity Securities	54		
Derivative Financial Assets Held for Trading		260,708	
Other		21	
Financial Assets Available-for-Sale (*)			
Debt Securities	23,000,414		8,281,723
Other		65,655	
Investments in Subsidiaries and Associates (**)	4,514,626		
Derivative Financial Liabilities		717,276	

(*) Since they are not traded in an active market, the equity securities (TL 12,622) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.
(**) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

The movement table of financial assets at level 3 is given below.

	Current Period	Prior Period
Balance at the Beginning of the Period	8,281,723	10,508,267
Purchases	1,921,320	9,611,772
Redemption or Sales	-3,265,512	-10,506,305
Valuation Difference	1,338,235	137,214
Transfers	-1,923,218	-1,469,225
Balance at the end of the Period	**6,352,548**	**8,281,723**

X. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions

The Bank gives trading, custody, fund management services in the name and on the account of its customers. The Bank has no fiduciary transactions.

XI. Explanations on Business Segmentation

The Bank's operations are classified as corporate, commercial, retail and private banking, as well as treasury/investment banking.

The Bank provides services to the large corporations, SMEs and other trading companies through various financial media within the course of its corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantee, letter of credit, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

By retail banking, the needs of individuals are met by performing banking services such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. For the private banking category, any kind of financial and cash management related services are provided for individuals within the high-income segment.

Within the context of treasury transactions, medium and long term funding is being fulfilled by tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations.

The Bank's investments in associates and subsidiaries operating in the financial and non-financial sector are evaluated within the context of investment banking. The details about the aforementioned investments are stated in note I.7 and I.8 section of Part Five.

Statement of information related to business segmentation is given below.

Current Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							**10,898,384**
Interest Income from Loans	1,649,852	3,111,744	2,140,921	59,886		171,222	7,133,625
Interest Income from Banks					17,570		17,570
Interest Income from Securities					3,721,515		3,721,515
Other Interest Income					68	25,606	25,674
Interest Expense							**6,336,584**
Interest Expense on Deposits	1,119,596	660,457	1,264,055	1,838,853		94,271	4,977,232
Interest Expense on Funds Borrowed					229,383		229,383
Interest Expense on Money Market Transactions					883,289		883,289
Interest Expense on Securities Issued					208,048		208,048
Other Interest Expense						38,632	38,632
Net Interest Income							**4,561,800**
Net Fees and Commissions Income							**1,428,583**
Fees and Commissions Received	138,514	372,673	507,099	42,407		533,674	1,594,367
Fees and Commissions Paid						165,784	165,784
Dividend Income					555,702		**555,702**
Trading Income/Loss (Net)					306,073		**306,073**
Other Income	23,339	404,328	424,917	212	62,484	395,834	**1,311,114**
Prov. For Loans and Other	52,172	455,254	201,205	122	21,730	653,310	**1,383,793**
Other Operating Expense	209,172	828,061	1,494,299	138,511		811,156	**3,481,199**
Income Before Tax							**3,298,280**
Tax Provision							**630,793**
Net Period Profit							**2,667,487**
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L					1,576,011		1,576,011
Banks and Other Financial Institutions					2,297,477		2,297,477
Financial Assets Available for Sale					28,652,848		28,652,848
Loans	34,371,428	33,365,590	20,797,619	646,719		2,439,282	91,620,638
Investments Held to Maturity					13,465,702		13,465,702
Associates and Subsidiaries					6,275,017		6,275,017
Other						17,780,811	17,780,811
							161,668,504
SEGMENT LIABILITIES							
Deposits	22,190,859	15,866,143	31,782,919	26,724,791		1,748,422	98,313,134
Derivative Financial Liabilities Held for Trading					857,882		857,882
Funds Borrowed					11,148,208		11,148,208
Money Market Funds					19,461,070		19,461,070
Securities Issued					3,781,421		3,781,421
Other Liabilities						5,980,499	5,980,499
Provisions						4,204,926	4,204,926
Shareholders' Equity						17,921,364	17,921,364
							161,668,504

Real person merchants and the institutions and enterprises without corporate and commercial qualities, which were classified under the retail segment in prior periods, have started to be followed under the commercial segment, beginning from the current period.

Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							**9,797,839**
Interest Income from Loans	1,168,875	2,056,063	2,263,164	49,947		409,739	5,947,788
Interest Income from Banks					148,431		148,431
Interest Income from Securities					3,667,042		3,667,042
Other Interest Income					5,752	28,826	34,578
Interest Expense							**5,215,964**
Interest Expense on Deposits	1,004,658	243,692	1,431,447	1,578,893			4,258,690
Interest Expense on Funds Borrowed					511,177		511,177
Interest Expense on Money Market Transactions					434,702		434,702
Other Interest Expense						11,395	11,395
Net Interest Income							**4,581,875**
Net Fees and Commissions Income							**1,236,425**
Fees and Commissions Received	113,661	354,439	521,566	52,791		309,122	1,351,579
Fees and Commissions Paid						115,154	115,154
Dividend Income					369,210		**369,210**
Trading Income/Loss (Net)					134,630		**134,630**
Other Income	11,826	423,502	462,105	1,405	134,574	535,872	**1,569,284**
Prov. For Loans and Other Receivables	12,604	351,953	465,050	564	100	305,178	**1,135,449**
Other Operating Expense	171,709	556,555	1,489,546	62,416		922,897	**3,203,123**
Income Before Tax							**3,552,852**
Tax Provision							**570,642**
Net Period Profit							**2,982,210**
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L					732,866		732,866
Banks and Other Financial Institutions					3,185,118		3,185,118
Financial Assets Available for Sale					31,360,414		31,360,414
Loans	23,563,865	19,575,315	18,615,880	610,448		1,866,170	64,231,678
Investments Held to Maturity					13,603,985		13,603,985
Associates and Subsidiaries					6,264,039		6,264,039
Other						12,418,394	12,418,394
							131,796,494
SEGMENT LIABILITIES							
Deposits	20,512,762	9,519,267	31,589,933	25,718,143		920,052	88,260,157
Derivative Financial Liabilities Held for Trading					717,276		717,276
Funds Borrowed					8,042,442		8,042,442
Money Market Funds					10,158,890		10,158,890
Other Liabilities						3,972,336	3,972,336
Provisions						3,631,589	3,631,589
Shareholders' Equity						17,013,804	17,013,804
							131,796,494

PART FIVE: EXPLANATIONS AND FOOTNOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND FOOTNOTES ON ASSETS

1. Cash and Central Bank of Turkey:

a. Information on Cash and Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	796,329	324,116	670,166	253,543
Central Bank of Turkey	4,267,773	8,237,668	3,320,095	3,948,880
Other		111,019		329,941
Total	**5,064,102**	**8,672,803**	**3,990,261**	**4,532,364**

b. Information on Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4,267,773	1,421,355	3,320,095	1,079,091
Unrestricted Time Deposit				
Restricted Time Deposit				
Other (*)		6,816,313		2,869,789
Total	**4,267,773**	**8,237,668**	**3,320,095**	**3,948,880**

(*)The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities

c. Information on reserve requirements:

As per the Communiqué no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey (CBT), banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11% for TL deposits, between 5%-11% for other TL liabilities, between 9%-11% for FC deposits and between 6%-11% for other FC liabilities. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

2. Information on Financial Assets at Fair Value through Profit and Loss:

a. Financial assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as of 31 December 2011 are amounting to TL 68 (31 December 2010: TL 64).

b. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as of 31 December 2011 are amounting to TL 468,125 (31 December 2010: TL 423,401).

c. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	22,758	123,792	7,385	59,960
Swap Transactions	5,214	735,118	11,866	169,889
Futures				
Options	262	26,534	622	10,986
Other		2,856		
Total	**28,234**	**888,300**	**19,873**	**240,835**

3. Banks:

a. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	147,221	403,078	12	596,283
Foreign Banks	92,874	1,611,163	184,277	2,404,546
Foreign Head Office and Branches				
Total	**240,095**	**2,014,241**	**184,289**	**3,000,829**

b. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	781,594	1,678,618		
USA, Canada	194,698	79,219	94	77
OECD Countries (*)	446,841	557,068		
Off-shore Banking Regions				
Other	219,099	219,385	61,711	54,456
Total	**1,642,232**	**2,534,290**	**61,805**	**54,533**

(*) OECD countries other than the EU countries, USA and Canada

4. Information on Financial Assets Available for Sale:

a. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked, amount to TL 999,533 as of 31 December 2011. (31 December 2010: TL 769,385).

b. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale, which are subject to repurchase agreements amount to TL 16,798,951 as of 31 December 2011. (31 December 2010: TL 8,439,302).

c. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	28,791,593	31,282,151
Traded on the Stock Exchange	16,511,612	23,000,428
Not Traded on the Stock Exchange (*)	12,279,981	8,281,723
Equity Securities	13,622	12,622
Traded on the Stock Exchange		
Not Traded on the Stock Exchange	13,622	12,622
Value Increase / Impairment Losses (-)	210,248	14
Other	57,881	65,655
Total	**28,652,848**	**31,360,414**

(*)It refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

5. Information related to loans:

a. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	455,535		397,449	
Total	**455,535**		**397,449**	

b. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	Standard Loans and Other Receivables		Closely Monitored Loans and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-Specialized Loans	**89,381,673**	**806,199**	**966,259**	**466,507**
Discount Notes	13,764			
Export Loans	5,891,472	16,118	105,370	9,854
Import Loans	630			
Loans Extended to Financial Sector	2,635,509			
Foreign Loans	1,377,719	8,356	2,777	75
Consumer Loans	17,723,787	685,241	363,707	59,866
Credit Cards	6,831,597		137,429	104,976
Precious Metal Loans	29,860	564		
Other	54,877,335	95,920	356,976	291,736
Specialized Loans				
Other Receivables				
Total	**89,381,673**	**806,199**	**966,259**	**466,507**

c. Cash loans according to their maturity structures:

	Standard Loans and Other Receivables		Closely Monitored Loans and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	30,876,446	46,804	358,469	33,573
Non-Specialized Loans	30,876,446	46,804	358,469	33,573
Specialized Loans				
Other Receivables				
Medium and long-term Loans and Other Receivables	58,505,227	759,395	607,790	432,934
Non-Specialization Loans	58,505,227	759,395	607,790	432,934
Specialized Loans				
Other Receivables				

d. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans-TL	486,755	17,427,998	151,958	18,066,711
Real Estate Loans	15,375	7,612,135	85,015	7,712,525
Vehicle Loans	39,816	1,091,209	6,262	1,137,287
General Purpose Consumer Loans	279,728	6,387,821	44,740	6,712,289
Other Consumer Loans	151,836	2,336,833	15,941	2,504,610
Consumer Loans – FC Indexed		82,158	60,165	142,323
Real Estate Loans		81,296	59,942	141,238
Vehicle Loans		862	223	1,085
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans – FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Retail Credit Cards-TL	6,157,570	321,667	43,183	6,522,420
With Installments	2,476,072	321,667		2,797,739
Without Installments	3,681,498		43,183	3,724,681
Retail Credit Cards-FC				
With Installments				
Without Installments				
Personnel Loans-TL	16,150	322,550	3,739	342,439
Real Estate Loans	200	85,944	1,462	87,606
Vehicle Loans	266	10,030	73	10,369
General Purpose Consumer Loans	11,344	175,128	1,694	188,166
Other Consumer Loans	4,340	51,448	510	56,298
Personnel Loans- FC Indexed		914	587	1,501
Real Estate Loans		914	587	1,501
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans-FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Credit Cards-TL	100,489		1,061	101,550
With Installments	39,250			39,250
Without Installments	61,239		1,061	62,300
Personnel Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (real persons)	271,088		8,539	279,627
Overdraft Accounts – FC (real persons)				
Total	**7,032,052**	**18,155,287**	**269,232**	**25,456,571**

e. Installment based commercial loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Installments-TL	890,275	11,376,306	101,162	12,367,743
Real Estate Loans	6,102	482,276	3,285	491,663
Vehicle Loans	96,867	2,795,548	15,982	2,908,397
General Purpose Commercial Loans	779,584	7,839,748	77,173	8,696,505
Other Commercial Loans	7,722	258,734	4,722	271,178
Commercial Loans With Installments-FC Indexed	37,796	1,259,712	193,163	1,490,671
Real Estate Loans		73,122	16,956	90,078
Vehicle Loans	4,147	586,346	74,543	665,036
General Purpose Commercial Loans	33,649	583,627	97,799	715,075
Other Commercial Loans		16,617	3,865	20,482
Commercial Loans With Installments-FC		221,018	539	221,557
Real Estate Loans				
Vehicle Loans				
General Purpose Commercial Loans				
Other Commercial Loans		221,018	539	221,557
Corporate Credit Cards-TL	448,415	1,428	189	450,032
With Installments	63,262	1,428		64,690
Without Installments	385,153		189	385,342
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (corporate)	576,769		18,079	594,848
Overdraft Accounts – FC (corporate)				
Total	**1,953,255**	**12,858,464**	**313,132**	**15,124,851**

f. Allocation of loans by borrowers:

	Current Period	Prior Period
Public Sector	2,165,724	1,866,916
Private Sector	89,454,914	62,364,762
Total	**91,620,638**	**64,231,678**

g. International and domestic loans:

	Current Period	Prior Period
Domestic Loans	90,231,711	63,149,909
International Loans	1,388,927	1,081,769
Total	**91,620,638**	**64,231,678**

h. Loans to subsidiaries and associates:

	Current Period	Prior Period
Direct Lending to Subsidiaries and Associates	538,653	300,597
Indirect Lending to Subsidiaries and Associates		
Total	**538,653**	**300,597**

i. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	172,457	121,909
Loans and Receivables with Doubtful Collectibility	198,775	303,735
Uncollectible Loans and Receivables	1,612,688	1,981,844
Total	**1,983,920**	**2,407,488**

j. Information on non-performing loans (Net):

j.1. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period			
(Gross amounts before the specific provisions)	**3,747**	**4,521**	**17,602**
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	3,747	4,521	17,602
Prior Period			
(Gross amounts before the specific provisions)	**534**	**9,259**	**62,154**
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	534	9,259	62,154

j.2. Movement of total non-performing loans:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	**Loans and Receivables with Doubtful Collectibility**	**Uncollectible Loans and Other Receivables**
Prior Period Ending Balance	**121,909**	**303,735**	**1,981,844**
Corporate and Commercial Loans	62,387	128,216	1,201,473
Retail Loans	24,989	56,301	345,624
Credit Cards	34,533	75,589	434,747
Other		43,629	
Additions (+)	**827,717**	**33,093**	**86,797**
Corporate and Commercial Loans	585,003	15,682	63,933
Retail Loans	97,552	7,746	14,510
Credit Cards	145,162	6,499	8,354
Other		3,166	
Transfers from Other NPL categories (+)		**413,610**	**416,750**
Corporate and Commercial Loans		227,642	229,742
Retail Loans		75,846	76,993
Credit Cards		110,122	110,015
Other			
Transfers to Other NPL categories (-)	**413,610**	**416,750**	
Corporate and Commercial Loans	227,642	229,742	
Retail Loans	75,846	76,993	
Credit Cards	110,122	110,015	
Other			
Collections (-) (*)	**363,174**	**133,547**	**621,335**
Corporate and Commercial Loans	300,416	62,564	343,493
Retail Loans	25,359	31,348	156,358
Credit Cards	37,399	38,139	121,484
Other		1,496	
Write-Offs (-) (*)	**385**	**1,366**	**251,368**
Corporate and Commercial Loans	54	293	68,311
Retail Loans	287	264	49,904
Credit Cards	44	538	133,153
Other		271	
Current Period Ending Balance	**172,457**	**198,775**	**1,612,688**
Corporate and Commercial Loans	119,278	78,941	1,083,344
Retail Loans	21,049	31,288	230,865
Credit Cards	32,130	43,518	298,479
Other		45,028	
Specific Provisions (-)	**172,457**	**198,775**	**1,612,688**
Corporate and Commercial Loans	119,278	78,941	1,083,344
Retail Loans	21,049	31,288	230,865
Credit Cards	32,130	43,518	298,479
Other		45,028	
Net Balance on Balance Sheet			

(*) During the current period, TL 88,464 of the NPL portfolio, TL 569 of which has formerly been written-off, were transferred to Standard Varlık Yönetimi A.Ş. in exchange for TL 13,905 in cash and TL 220,573 of the NPL portfolio, TL 1,128 of which has formerly been written-off, were transferred to Efes Varlık Yönetim A.Ş. in exchange for TL 42,055 in cash.

j.3. Information on non-performing foreign currency loans and other receivables:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	**Loans and Receivables with Doubtful Collectibility**	**Uncollectible Loans and Other Receivables**
Current Period:			
Period Ending Balance			51,371
Specific Provisions (-)			51,371
Net Balance on Balance Sheet			
Prior Period:			
Period Ending Balance	2,042		49,447
Specific Provisions (-)	2,042		49,447
Net Balance on Balance Sheet			

j.4. Information on gross and net non-performing loans and receivables as per customer categories:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	**Loans and Receivables with Doubtful Collectibility**	**Uncollectible Loans and Other Receivables**
Current Period (Net)			
Loans to Individuals and Corporates (Gross)	172,457	153,747	1,612,688
Specific Provisions (-)	172,457	153,747	1,612,688
Loans to Individuals and Corporates (Net)			
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)		45,028	
Specific Provisions (-)		45,028	
Other Loans and Receivables (Net)			
Prior Period (Net)			
Loans to Individuals and Corporates (Gross)	121,909	260,106	1,981,844
Specific Provisions (-)	121,909	260,106	1,981,844
Loans to Individuals and Corporates (Net)			
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)		43,629	
Specific Provisions (-)		43,629	
Other Loans and Receivables (Net)			

k. Main guidelines used in the liquidation policy on uncollectible loans and other receivables:

In order to ensure liquidation of non-performing loans, all possible alternatives within the existing legislation are evaluated in a way that repayments are maximized. First, administrative initiatives are taken to reach an agreement with the borrower; in case the negotiations for collection, liquidation or restructuring of receivables fail, legal action is taken for collection.

l. Information on "Write-off" policies:

In case there is still a residual receivable despite all the borrowers' assets are liquidated in terms of legal follow-up, or a legal follow-up fails due to the fact that the borrowers do not have any assets to be liquidated, the Bank's receivables are reduced to one if an evidence of borrowers' insolvency is obtained; when no such evidence is available, totally uncollectible receivables are written-off.

6. Investments Held to Maturity:

a. Information on investments held to maturity, which are given as collateral or blocked:

Investments held to maturity, which are given as collateral or blocked amount to TL 1,963,141 as of 31 December 2011. (31 December 2010: TL 2,010,165).

b. Information on investments held to maturity, which are subject to repurchase agreements:

Investments held to maturity, which are subject to repurchase agreements amount to TL 4,479,021 as of 31 December 2011. (31 December 2010: TL 2,415,107).

c. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	13,444,975	13,586,189
Treasury Bills		
Other Public Debt Securities		
Total	**13,444,975**	**13,586,189**

d. Information on investments held-to-maturity:

	Current Period	Prior Period
Debt Securities	13,465,702	13,603,985
Traded on a Stock Exchange	13,444,975	13,586,189
Not Traded	20,727	17,796
Impairment Losses (-)		
Total	**13,465,702**	**13,603,985**

e. Movement of the investments held to maturity during the year:

	Current Period	Prior Period
Beginning Balance	13,603,985	12,929,454
Foreign Exchange Differences Arising on Monetary Assets	2,415	-129,234
Purchases During the Year	14,227	2,640,303
Transfers		
Disposals through Sales and Redemption	-493,100	-2,182,708
Impairment Losses (-)		
Changes in Amortized Cost of the Investments	338,175	346,170
Balance at the end of the Year	**13,465,702**	**13,603,985**

7. Information on associates (Net):

a. General information on associates:

Seq. No.	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	20.58
2-	Avea İletişim Hizmetleri A.Ş.	İstanbul/TURKEY	13.86	18.63
3-	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	9.98	9.98
4-	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	9.09	9.09

b. Information on financial statements of associates in the above order (*):

Seq. No.	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (**)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1-	3,090,556	361,615	29,733	92,432	75	47,834	23,358	-
2-	10,701,426	5,616,756	9,524,353	32,037		-963,655	-1,242,167	-
3-	22,629	19,044	6,401	686		3,179	2,525	-
4-	33,294	28,668	3,163	1,904		12,969	9,899	-

(*) Indicates the value of Arap Türk Bankası A.Ş. as of 31 December 2011, the values of Bankalararası Kart Merkezi A.Ş., Kredi Kayıt Bürosu A.Ş. as of 30 September 2011, the value of Avea İletişim Hizmetleri A.Ş. as of 31 December 2010.
(**) Includes interest income on securities.

c. Movement of investments in associates:

	Current Period	Prior Period
Beginning balance	743,262	743,262
Movements during the period		
Purchases (*)	653	
Bonus shares acquired		
Dividends received from the current year profit		
Sales		
Revaluation Increase		
Impairment		
Balance at the end of the period	743,915	743,262
Capital commitments		
Contribution in equity at the end of the period (%)		

(*) Corresponds to the acquisitions related to capital increases through retained earnings.

d. Sectoral information on financial associates and the related carrying amounts:

Associates	Current Period	Prior Period
Banks	85,295	85,295
Insurance Companies		
Factoring Companies		
Leasing Companies		
Finance Companies		
Other Financial Participations (*)		3,019

(*)Bankalararası Kart Merkezi A.Ş. and Kredi Kayıt Bürosu A.Ş. are classified under non-financial associates in the current period.

e. Associates traded on a stock exchange: None.

f. Associates disposed of in the current period: None.

g. Associates acquired in the current period: None.

h. Other:

In order to carry out domestically the decisions made by the United Nations Security Council (UNSC) due to the incidents in Libya, for imposing various sanctions to the real persons and corporate bodies that are connected to the Libyan government, the BRSA decided that as per the Cabinet Decision dated 21 June 2011 and no. 2011/2001, the shareholder rights of Libyan Foreign Bank's (LFB), the majority shareholder residing in Libya, 62.37% share in Arap Türk Bankası A.Ş., except for the dividend rights, shall be used by the Savings Deposit Insurances Fund (SDIF) until the implementation of the related decisions are ended for LFB. Accordingly, all the directors representing Libyan Foreign Bank on the Board of Arap Türk Bankası A.Ş. were discharged and replaced by persons determined by the SDIF.

The abovementioned UNSC decisions on imposing various sanctions to the real persons and corporate bodies that are connected to the Libyan government have been cancelled by the UNSC decision dated 27 October 2011 and no. 2016. Within the framework of this development, the Cabinet Decisions dated 21 June 2011 and no. 2011/2001 on imposing sanctions to LFB, the majority shareholder of Arap Türk Bankası, have been abolished.

8. Information on subsidiaries (Net):

a. General information on subsidiaries:

Seq, No	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/TURKEY	62.00	83.00
2-	Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik Sanayi Ticaret A.Ş.	İzmir/TURKEY	99.89	99.99
3-	Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	Ankara/TURKEY	86.24	97.63
4-	Camiş Yatırım Holding A.Ş.	İstanbul/TURKEY	99.97	100.00
5-	Closed Joint stock Company İşbank	Moscow/RUSSIA	100.00	100.00
6-	İş Finansal Kiralama A.Ş.	İstanbul/TURKEY	27.79	57.39
7-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	42.23	58.04
8-	İş Merkezleri Yönetim ve İşletim A.Ş.	İstanbul/TURKEY	86.33	100.00
9-	İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	İstanbul/TURKEY	94.65	100.00
10-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	65.65	70.69
11-	İşbank GmbH	Frankfurt-Main/GERMANY	100.00	100.00
12-	Kültür Yayınları İş-Türk Limited Şirketi	İstanbul/TURKEY	99.17	100.00
13-	Milli Reasürans T.A.Ş.	İstanbul/TURKEY	76.64	77.06
14-	Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş.	İstanbul/TURKEY	99.98	100.00
15-	Nemtaş Nemrut Liman İşletmeleri A.Ş.	İzmir/TURKEY	99.81	100.00
16-	Trakya Yatırım Holding A.Ş.	İstanbul/TURKEY	65.34	100.00
17-	Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/TURKEY	40.52	50.00
18-	Türkiye Şişe ve Cam Fabrikaları A.Ş.	İstanbul/TURKEY	68.15	72.31

b. Financial statement information related to subsidiaries in the above order:

Seq. No	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (1)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1-	5,651,031(2)	435,720(2)	23,023(2)	198,130(2)	20,178(2)	49,205(2)	58,617(3)	825,000
2-	49,415(4)	32,574(4)	7,161(4)	8(4)		-2,798(4)	480(5)	
3-	136,774(4)	2,572(4)	97,490(4)	6(4)	3(4)	-30,346(4)	-17,764(5)	
4-	121,208(6)	121,195(6)		380(6)	19,416(6)	18,995(6)	8,159(4)	
5-	311,944(6)	44,993(6)	41,611(6)	18,133(6)	3(6)	321(6)	79(4)	
6-	2,242,053(6)	520,018(6)	2,515(6)	155,531(6)	3,980(6)	54,266(6)	64,869(4)	389,850
7-	1,161,022(6)	1,034,472(6)	1,025,715(6)	5,199(6)	669(6)	66,954(6)	60,918(4)	600,000
8-	32,327(4)	13,179(4)	1,675(4)	1,131(4)	246(4)	4,510(4)	8,402(5)	
9-	35,339(4)	22,649(4)	15,681(4)	266(4)	926(4)	3,571(4)	1,496(5)	
10-	3,647,176(2)	678,366(2)	9,391(2)	98,207(2)	45,817(2)	70,889(2)	73,822(3)	361,400
11-	2,259,173(6)	259,744(6)	42,390(6)	92,178(6)	351(6)	13,969(6)	10,086(4)	
12-	9,927(4)	3,547(4)	358(4)		17(4)	761(4)	376(5)	
13-	1,594,892(6)	447,270(6)	46,842(6)	42,789(6)	44,166(6)	-144,737(6)	64,091(4)	
14-	22,739(4)	22,738(4)	1,147(4)	220(4)	86(4)	-2,177(4)	174(5)	
15-	371,713(4)	247,042(4)	220,675(4)	61(4)	433(4)	1,240(4)	13,496(5)	
16-	436,621(6)	436,621(6)			86(6)	57(6)	71(4)	
17-	9,821,491(2)	1,486,861(2)	235,859(2)	394,011(2)	11,772(2)	170,649(2)	182,805(3)	1,464,000
18-	8,137,041 (2)	4,989,333 (2)	3,825,634 (2)	47,214 (2)	64(2)	582,899 (2)	309,213 (3)	3,705,000

(1) Includes Interest Income on Securities. (2) Indicates value as of 30 September 2011. (3) Indicates values as of 30 September 2010. (4) Indicates values as of 31 December 2010. (5) Indicates value as of 31 December 2009. (6) Indicates value as of 31December 2011.

c. Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	5,520,777	4,287,817
Movements in the Period		
Purchases (*)	585,464	353,756
Bonus Shares Acquired		26,692
Dividends Received from the Current Year Profit		
Sales		-280,915
Revaluation Surplus (**)	-557,253	1,133,427
Impairment	-17,886	
Balance at the End of the Period	5,531,102	5,520,777
Capital Commitments		
Contribution in equity at the end of the period (%)		

(*) As of reporting date; TL 585,464 recognized in current period, are comprised of TL 57,456 from the purchase of Closed Joint Stock Company İşbank; TL 44,304 and TL 62,910 are from the participation in the cash capital increases of Bayek Ted. Sağ. Hizm. ve İşl. A.Ş. and İşbank GmbH, respectively, and the remaining part resulted from the acquisitions related to the capital increases of subsidiaries through retained earnings.

(**) The relevant amounts represent the increases and decreases in the market value of participations traded on the stock exchange.

d. Sectoral information on financial subsidiaries and the related carrying amounts:

Subsidiaries	Current Period	Prior Period
Banks	793,824	790,240
Insurance Companies	968,185	1,209,520
Factoring Companies		
Leasing Companies	107,413	114,790
Finance Companies		
Other Financial Subsidiaries	500,041	677,797
Total	**2,369,463**	**2,792,347**

e. Subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	4,250,180	4,514,626
Traded on international stock exchanges		
Total	**4,250,180**	**4,514,626**

f. Subsidiaries disposed of in the current period: None.

g. Subsidiaries acquired in the current period:

Within the framework of the Share Purchase Agreement signed for the acquisition of 100% shares of Closed Joint Stock Company İşbank, operating in Russia, as per the resolution of the Bank's Board dated 25 October 2010, USD 36 million of the share value, which is USD 40 million in total, has been paid and the share transfer has been finalized as of 27 April 2011. Remaining amount of USD 4 million will be paid after one year within the framework of the Share Purchase Agreement.

9. Information on jointly controlled entities:

There are no jointly controlled entities of the Bank.

10. Information regarding finance lease receivables of the Bank (Net):

The Bank has no finance lease receivables.

11. Explanations on derivative financial assets held for risk management:

The Bank has no derivative financial assets held for risk management.

12. Information on Tangible Assets (*) (Net):

Current Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,538,392	11,566	15,305	1,142,648	4,707,911
Movements in the Period					
- Additions	39,296	6,848	297	248,514	294,955
- Disposals	-68,608	-86	-613	-53,134	-122,441
- Transfers	3,374	-9,561	472	-472	-6,187
- Impairment Release (-) (**)	53				53
Balance at End of Current Period	3,512,507	8,767	15,461	1,337,556	4,874,291
Accumulated Depreciation					
Balance at the Beginning of the Period	-2,148,556		-11,238	-716,232	-2,876,026
Movements in the Period					
- Depreciation Charge	-48,682		-2,046	-119,042	-169,770
- Disposals	14,246		549	16,544	31,339
- Transfers			76	-76	
- Impairment Release (-)					
Balance at the End of Current Period	-2,182,992		-12,659	-818,806	-3,014,457
Net Book Value at the End of Prior Period	1,389,836	11,566	4,067	426,416	1,831,885
Net Book Value at the End of Current Period	**1,329,515**	**8,767**	**2,802**	**518,750**	**1,859,834**

** As of the balance sheet date the book value of tangible assets purchased through finance lease amounts to TL 5,544 (2010: TL 21,634) and there are no additions during the period. The book value of tangible assets acquired during the period due to receivables is TL 44,811 (2010: TL 89,935).*
*** They are the impairment releases related to the real estates whose fair values have increased due to their renewed appraisals.*

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Prior Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,561,040	61,540	15,531	1,075,893	4,714,004
Movements in the Period					
- Additions	103,507	21,528	8	188,850	313,893
- Disposals	-208,972	-25,370	-234	-122,095	-356,671
- Transfers	37,893	-46,132			-8,239
- Impairment Release (-) (**)	44,924				44,924
Balance at End of Current Period	3,538,392	11,566	15,305	1,142,648	4,707,911
Accumulated Depreciation					
Balance at the Beginning of the Period	-2,161,855		-8,641	-681,516	-2,852,012
Movements in the Period					
- Depreciation Charge	-48,246		-2,724	-99,738	-150,708
- Disposals	61,075		127	65,022	126,224
- Transfers	470				470
- Impairment Release (-)					
Balance at the End of Current Period	-2,148,556		-11,238	-716,232	-2,876,026
Net Book Value at the End of Prior Period	1,399,185	61,540	6,890	394,377	1,861,992
Net Book Value at the End of Current Period	**1,389,836**	**11,566**	**4,067**	**426,416**	**1,831,885**

** The book value of tangible assets purchased through finance lease amounts to TL 21,634 (2009: TL 52,045). There are no additions in the current period (2009: TL 88). The book value of tangible assets acquired during the period due to receivables is TL 89,935 (2009: TL 62,956).*
*** They are the impairment releases related to the real estates whose fair values have increased due to their renewed appraisals.*

13. Information on Intangible Assets:

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	179,560	133,618
Movements in the Period		
- Acquired	79,755	45,942
- Disposed (-)	-2,430	
- Impairment		
Balance at the End of the Period	256,885	179,560
Accumulated Amortization		
Balance at the Beginning of the Period	146,941	100,864
Movements in the Period		
- Amortization Charge (-)	46,358	46,077
- Disposed	-91	
- Impairment		
Balance at the End of the Current Period	193,208	146,941
Net Book Value at the End of the Prior Period	32,619	32,754
Net Book Value at the End of the Period	**63,677**	**32,619**

14. Information on investment property:

As of 31 December 2011, the Bank has not any investment properties.

15. Information on deferred tax asset:

The Bank has TL 488,613 deferred tax asset as of 31 December 2011. Such deferred tax asset is calculated based on the temporary differences between the book value of the Bank's assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items. As of 31 December 2011, the Bank has no tax asset measured over the period loss or tax relief.

	Current Period	Prior Period
Deferred Tax (Asset)/Liability:		
Tangible Assets Base Differences	27,755	25,749
Provisions (*)	-417,880	-395,512
Valuation of Financial Assets	-80,559	-358,152
Other	-17,929	12,577
Net Deferred Tax (Asset)/Liability:	-488,613	-715,338

(*) Comprised of employee termination benefits, actual and technical deficits of the pension fund, the provisions for credit card bonus points, and other provisions.

Movements of deferred tax asset:

	Current Period	Prior Period
Balance at the Beginning of the Period	715,338	510,519
Deferred Tax Benefit / (Charge) (Net)	-334,730	212,223
Deferred Tax Recognized under Equity	108,005	-7,404
Deferred Tax Asset	488,613	715,338

16. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Balance at the Beginning of the Period	53,955	27,273
Additions	65,988	54,525
Transfers (Net)	6,187	7,769
Disposals (Net)	-63,576	-35,042
Impairment Losses (-)		
Amortization	-2,751	-570
Balance at the End of the Period	59,803	53,955

The Bank has no discontinued operations. The assets classified as "Assets Held for Sale" consist of real estates. Those real estates subject to sale are announced on the Bank's web site. Announcements about the real estates subject to sale are also made by means of newspaper advertisements and similar media.

17. Information on Other Assets:

The "other assets" item of the balance sheet does not exceed 10% of total assets.

II. EXPLANATIONS AND FOOTNOTES ON LIABILITIES

1. Information on Deposits:

a.1. The maturity structure of deposits (Current period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,005,140		4,200,439	28,040,187	2,412,466	503,674	501,736		40,663,642
Foreign Currency Deposits	5,865,791		5,793,103	16,819,195	1,886,363	477,746	3,264,725		34,106,923
Residents in Turkey	5,517,429		5,415,771	16,155,581	1,768,775	394,110	1,664,104		30,915,770
Residents Abroad	348,362		377,332	663,614	117,588	83,636	1,600,621		3,191,153
Deposits of Public Institutions	208,535		419,186	398,015	5,457	168	678		1,032,039
Commercial Deposits	4,533,435		1,447,573	5,358,055	183,916	22,173	132,616		11,677,768
Other Institutions Deposits	273,119		607,730	2,949,255	664,662	1,609,254	1,553		6,105,573
Precious Metals Deposits	2,479,052								2,479,052
Interbank Deposits	261,709		488,743	836,900	166,647	148,420	345,718		2,248,137
The Central Bank of Turkey	83,478								83,478
Domestic Banks	2,075		48,085	291,269	97,408		2,067		440,904
Foreign Banks	172,787		440,658	545,631	69,239	148,420	343,651		1,720,386
Participations Banks	3,369								3,369
Other									
Total	**18,626,781**		**12,956,774**	**54,401,607**	**5,319,511**	**2,761,435**	**4,247,026**		**98,313,134**

a.2. The maturity structure of deposits (Prior period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	4,518,478		20,032,697	11,969,945	1,101,909	274,201	376,989		38,274,219
Foreign Currency Deposits	4,761,221		10,269,550	8,121,109	1,456,785	583,089	2,206,021		27,397,775
Residents in Turkey	4,498,713		9,599,862	7,896,837	1,327,397	475,167	1,389,626		25,187,602
Residents Abroad	262,508		669,688	224,272	129,388	107,922	816,395		2,210,173
Deposits of Public Institutions	336,578		145,950	66,418	3,184		6,887		559,017
Commercial Deposits	4,021,557		2,924,851	4,877,052	217,428	23,840	2,863		12,067,591
Other Institutions Deposits	222,342		1,358,093	4,359,227	1,214,386	1,092	782		7,155,922
Precious Metals Deposits	336,249								336,249
Interbank Deposits	272,335		677,218	1,198,992	86,719	55,247	178,873		2,469,384
The Central Bank of Turkey	74,276								74,276
Domestic Banks	10,351		276,579	641,487			3,155		931,572
Foreign Banks	186,137		400,639	557,505	86,719	55,247	175,718		1,461,965
Participations Banks	1,571								1,571
Other									
Total	**14,468,760**		**35,408,359**	**30,592,743**	**4,080,411**	**937,469**	**2,772,415**		**88,260,157**

b.1. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund and which exceed the limit of deposit insurance:

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	16,344,278	16,526,269	24,004,306	21,470,358
Foreign Currency Savings Deposits	7,242,877	5,936,695	15,250,682	11,306,743
Other Deposits in the Form of Savings Deposits				
Foreign Branches' Deposits Under Foreign Authorities' Insurance	694,449	604,575	49,636	65,303
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			17,827	67,171

b.2. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Deposits Under Foreign Authorities Insurance	67,463	132,474
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	8,957	8,689
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004		
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey		

2. Information on Derivative Financial Liabilities Held for Trading:

Negative differences on derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	96,264	116,755	7,868	57,125
Swap Transactions	361,060	214,164	385,134	228,312
Futures				
Options	263	26,614	430	38,407
Other		42,762		
Total	**457,587**	**400,295**	**393,432**	**323,844**

3. Banks and Other Financial Institutions:

a. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds borrowed from the Central Bank of Turkey				
Funds borrowed from Domestic Banks and Institutions	210,689	236,181	111,052	127,813
Funds borrowed from Foreign banks, institutions and funds		10,701,338		7,803,577
Total	**210,689**	**10,937,519**	**111,052**	**7,931,390**

b. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	186,621	5,599,202	108,183	4,036,524
Medium and Long-term	24,068	5,338,317	2,869	3,894,866
Total	**210,689**	**10,937,519**	**111,052**	**7,931,390**

c. Information on funds borrowed:

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

Syndicated loans:

Date of Use	Funds Borrowed	Maturity
September 2010	USD 45,000,000 + EUR 115,000,000	2 years
May 2011	USD 290,000,000 + EUR 626,000,000	1 year (with 1 year extension option)
September 2011	USD 359,000,000 + EUR 603,000,000	1 year (with 1 year extension option)

Securitization deals:

The Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through TIB Diversified Payment Rights Finance Company, and all its claims and receivables based on FC debit and credit card receivables through TIB Card Receivables Funding Company Limited, both of which are special purpose vehicles established abroad.

Information on funds received through securitization are given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as of 31.12.2011
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 89,600,000
May 2005	TIB Diversified Payment Rights Finance Company	USD 700,000,000	5-8 years	USD 118,750,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 127,561,065
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 344,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 430,000,000
October 2011	TIB Diversified Payment Rights Finance Company	USD 75,000,000	5 years	USD 75,000,000
October 2011	TIB Diversified Payment Rights Finance Company	EUR 160,000,000	5-7 years	EUR 160,000,000

4. Other Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1,809,005			
Bonds	1,019,442	952,974		
Total	**2,828,447**	**952,974**		

5. Concentration of the liabilities of the Bank:

61% of the Bank's liabilities are comprised of deposits, 12% are comprised of funds obtained through repurchase transactions and 7% are comprised of borrowings. Deposits are distributed among a large variety of customers with different characteristics. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. No risk concentration exists related to the Bank's liabilities.

6. Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

7. Information on lease payables (net):

Liabilities resulting from finance lease transactions:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	12	5	3,405	3,164
1-5 Years			9	4
More Than 5 Years				
Total	**12**	**5**	**3,414**	**3,168**

8. Information on derivative financial liabilities held for risk management:

The Bank does not have any derivative financial liabilities held for risk management purposes.

9. Information on provisions:

a. Information on general loan loss provisions:

	Current Period	Prior Period
General Loan Loss Provisions	1,245,245	699,489
Provision for Group I Loans and Receivables	1,039,640	533,110
Provision for Group II Loans and Receivables(*)	38,077	29,786
Provision for Non-cash Loans	117,154	76,626
Other	50,374	59,967

(*)Also includes general provision for Group II Non-cash Loans.

Within the framework of the "Regulation Regarding the Amendment of the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", which was published in the Official Gazette dated 28 May 2011, no. 27947, TL 61,729 additional provision was set aside for 32,658 loans (7,914 group I loans / 24,744 group II loans), whose maturities have been extended for up to one year and for 49,226 loans (37,144 group I loans / 12,082 group II loans), whose maturities have been extended for more than a year.

b. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 2,731.85 (full TL amount as of 31 December 2011), which is one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits. The provision amount resulting from liabilities for employee termination benefits has been determined in line with the actuarial report prepared by an independent valuation firm and within this context, as of 31 December 2011 TL 235,821 provision was set aside and reflected to the financial statements (31 December 2010: TL 202,048).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- discount and inflation rates, which vary by years, were used for the calculation and the real rate of increase in salaries was taken as 2%.
- TL 2,731.85 (full TL amount) salary ceiling, which was effective as at 31 December 2011 was taken into account for the calculations.
- the age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees

The movements related to provision for employee termination benefits are given below.

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	202,048	150,371
Service Cost	16,988	11,395
Interest Cost	18,007	14,135
Benefits paid	-18,262	-11,348
Loss/(Gain) due to Settlements / Reductions / Terminations	729	343
Actuarial loss/(gain)	16,311	37,152
Defined benefit obligation at the end of the period	235,821	202,048

In addition to the employee termination benefits, the Bank also allocates provision for the unused vacation pay. Provision for unused vacation pay for the year 2011 stands at TL 20,642 (31 December 2010: TL 18,059).

c. Provisions for exchange losses in the principal amount of foreign currency indexed loans: Since foreign currency indexed loans are followed based on the rates on the lending date, the Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As of 31 December 2011, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 2,989 and this amount is offset against foreign currency indexed loan balance in the financial statements.

d. Specific provisions for non-cash loans, which are not indemnified and not converted into cash: TL 85,388 provision (31 December 2010: TL 151,902) is allocated for the non-cash loans of companies whose loans are followed under "Non-performing Loans" accounts.

e. Information on other provisions:

e.1. Provisions for potential risks: Taking the potential risks in the economy and in the markets into account, provision amounting to TL 950,000 was all provided in accordance with the precautionary principle.

e.2. Liabilities arising from retirement benefits:

- Liabilities of pension funds founded as per the Social Security Act:

Within the scope of the explanations given in Part Three Note XVII, in the actuarial report which was prepared as of 31 December 2011 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act No. 506, the amount of actuarial and technical deficit stands at TL 1,338,159. Additional TL 19,914 provision was set aside for the difference between and the newly determined deficit amount and the TL 1,318,245 provision amount set aside by the Bank for the related pension fund until the current period.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of 31 December 2011, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. CSO 1980 mortality table, 9.8% technical deficit interest rate and 33.5% premium rate were taken into account in calculations. Below table shows the cash values of premium and salary payments as of 31 December 2011, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	-3,666,014	-3,401,547
Net Present Value of Long Term Insurance Line Premiums	1,562,338	1,437,212
Net Present Value of Total Liabilities Other Than Health	**-2,103,676**	**-1,964,335**
Net Present Value of Health Liabilities	-482,099	-438,786
Net Present Value of Health Premiums	929,964	855,484
Net Present Value of Health Liabilities	**447,865**	**416,698**
Pension Fund Assets	**317,652**	**229,392**
Amount of Actuarial and Technical Deficit	**-1,338,159**	**-1,318,245**

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	196,541	164,851
Securities Portfolio	94,007	52,569
Other	27,104	11,972
Total	**317,652**	**229,392**

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

10. Information on Tax Liability:

a. Explanations related to current tax liability:

a.1. Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in Note XVIII of Part 3. The remaining corporate tax liability after the deduction of the temporary tax amount stands at TL 186,206 as of 31 December 2011.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	186,206	221,008
Tax on Securities Income	110,023	73,024
Tax on Real Estate Income	1,717	1,516
Banking Insurance Transaction Tax	52,361	36,466
Foreign Exchange Transaction Tax	28	22
Value Added Tax Payable	529	553
Other	21,045	17,830
Total	**371,909**	**350,419**

a.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	46	35
Social Security Premiums - Employer	53	41
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees		
Pension Fund Membership Fees and Provisions-Employer		
Unemployment Insurance - Employees	1,618	600
Unemployment Insurance – Employer	3,237	1,202
Others		
Total	**4,954**	**1,878**

b. Information on deferred tax liabilities: None.

11. Information on payables for assets held for sale and discontinued operations:

The Bank has no payables for assets held for sale and discontinued operations.

12. Subordinated loans used by the Bank:

There are no subordinated loans used by the Bank.

13. Information on shareholders' equity:

a. Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,499,970	4,499,970
Preferred shares	30	30
Total	**4,500,000**	**4,500,000**

b. Explanation as to whether the registered share capital system ceiling is applicable at the Bank, if so, the amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	7,000,000

c. The capital increase made in current period: None.

d. Information on capital increase through transfer from capital reserves during the current period**:** None.

e. Significant commitments of the Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: There are no capital commitments.

f. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Bank's equity: The Bank's balance sheet is managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level. This contributes to the development of the Bank's income within a regularly increasing trend.

g. Privileges Granted to Shares:

Group (A) shares each with a nominal value of 1 Kurus have the privileges of;

- receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and
- 20 voting rights (Article 49 of the Articles of Incorporation)

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kurus, have the same rights with the Group (C) shares having a nominal value of 4 Kurus each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kurus, are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

h. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Associates, Subsidiaries and Jointly Controlled Entities	**1,728,832**		**2,286,085**	
Valuation Difference	1,728,832		2,286,085	
Foreign Exchange Differences				
Financial Assets Available for Sale	**-385,877**	**137,501**	**173,694**	**55,435**
Valuation Difference	-452,438	137,501	215,138	55,435
Deferred Tax Effect on Valuation	66,561		-41,444	
Foreign Exchange Differences				
Total	**1,342,955**	**137,501**	**2,459,779**	**55,435**

III. EXPLANATIONS AND FOOTNOTES ON OFF BALANCE SHEET ITEMS

1. Explanations to liabilities related to off-balance items:

a. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 13,172,835 and commitment to pay for check leaves amounts to TL 4,914,758. The amount of commitment for the forward purchase of assets is TL 575,182 and for the forward sale of assets is TL 577,788.

b. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items, Commitments are shown in the table of "Off-Balance Sheet Items".

b.1. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	497,122	211,538
Letters of Credit	5,170,468	3,105,943
Other Guarantees	1,001,081	339,787
Total	**6,668,671**	**3,657,268**

b.2. Definite guarantees, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Tentative Letters of Guarantee	1,201,212	531,378
Certain Letters of Guarantee	13,702,059	8,746,294
Advance Letters of Guarantee	3,005,909	1,629,506
Letters of Guarantee Addressed to Customs	905,572	523,800
Other Letters of Guarantee	366,582	194,357
Total	**19,181,334**	**11,625,335**

c. 1. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	347,699	178,890
With Original Maturity of 1 Year or Less	37,121	65,655
With Original Maturity More Than 1 Year	310,578	113,235
Other Non-cash Loans	25,502,306	15,103,713
Total	**25,850,005**	**15,282,603**

c. 2. Sectoral Risk Concentration of Non-cash Loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	114,202	1.15	40,730	0.26	85,956	1.32	21,708	0.25
Farming and Raising Livestock	56,855	0.57	34,295	0.22	41,670	0.64	21,708	0.25
Forestry	56,233	0.57	6,088	0.04	42,884	0.66		
Fishery	1,114	0.01	347	0.00	1,402	0.02		
Industry	3,093,213	31.12	9,217,883	57.93	2,029,583	31.03	4,216,454	48.24
Mining and Quarrying	100,355	1.01	120,057	0.75	68,219	1.04	72,721	0.83
Manufacturing	2,381,402	23.96	7,468,821	46.94	1,613,587	24.67	3,244,855	37.12
Electricity, Gas, Water	611,456	6.15	1,629,005	10.24	347,777	5.32	898,878	10.29
Construction	1,959,406	19.71	1,990,183	12.50	764,308	11.68	1,022,071	11.69
Services	4,663,229	46.91	3,028,888	19.05	3,597,477	54.99	2,206,153	25.24
Wholesale and Retail Trade	2,971,252	29.89	1,596,846	10.04	2,410,990	36.86	1,345,446	15.39
Hotel and Restaurant Services	100,326	1.01	17,434	0.11	85,046	1.30	12,157	0.14
Transportation and Communication	261,017	2.63	844,742	5.31	231,230	3.53	359,364	4.11
Financial Institutions	809,012	8.14	262,107	1.65	518,305	7.92	251,770	2.88
Real Estate and Rental Services	247,980	2.49	187,276	1.18	163,514	2.50	174,031	1.99
Self-Employed Services	205,340	2.07	104,368	0.66	135,109	2.07	43,521	0.50
Educational Services	16,043	0.16	6,926	0.04	12,706	0.19	10,116	0.12
Health and Social Services	52,259	0.52	9,189	0.06	40,577	0.62	9,748	0.11
Others	110,221	1.11	1,632,050	10.26	64,346	0.98	1,274,547	14.58
Total	**9,940,271**	**100.00**	**15,909,734**	**100.00**	**6,541,670**	**100.00**	**8,740,933**	**100.00**

c. 3. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	**9,880,158**	**15,735,113**	**60,113**	**174,621**
Letters of Guarantee	9,855,935	9,114,160	60,113	151,126
Bank Acceptances	3,628	491,219		2,275
Letters of Credit		5,154,448		16,020
Endorsements		375,869		
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	20,595	599,417		5,200

2. Information on Derivative Financial Instruments:

Majority of the Bank's derivative transactions comprise currency and interest rate swaps, forward foreign exchange trading as well as currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "held for trading purposes" within the framework of "TAS 39 - Financial Instruments: Recognition And Measurement".

3. Explanations Related to Contingencies and Commitments:

The balance of the "Other Irrevocable Commitments" account, under which the amount of letters of guarantees, guarantees and commitments submitted by the Bank pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Bank and the commitments due to housing loans extended within the scope of unfinished house projects are followed, stands at TL 4,564,163. TL 4,914,758 liability of the Bank regarding the checks given to customers is presented under off balance sheet commitments, as per the related regulations. In case the cheques presented for payment to beneficiaries are not covered, the Bank will be obliged to pay the uncovered amount up to TL 600 (exact amount) for the cheques that are subject to the Law no. 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", within the framework of the Law no. 6273 on "Amendments in the Cheque Law", which came into effect after being published in the Official Gazette dated 3 February 2012, and up to TL 1,000 (exact amount) for the cheques that are subject to the "Cheque Law" no. 5941. The Bank will try to collect the amount paid from the customer and the uncollected amount will be followed under "Indemnified Non-Cash Loans".

4. Explanations related to transactions made on behalf of or on the account of others:

It is explained in Note X under Part Four.

IV. EXPLANATIONS AND FOOTNOTES ON THE INCOME STATEMENT

1.a. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Loans*				
Short-term Loans	2,385,234	222,351	2,116,537	135,680
Medium and Long-term Loans	3,282,183	983,467	2,909,977	545,832
Interest on Non-performing Loans	260,389	1	239,703	59
Premiums Received from State Resource Utilization Support Fund				
Total	**5,927,806**	**1,205,819**	**5,266,217**	**681,571**

** Includes fee and commission income on cash loans.*

1.b. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey			104,265	
Domestic Banks	373	832	342	466
Foreign Banks	5,722	10,643	9,936	33,422
Foreign Head Offices and Branches				
Total	**6,095**	**11,475**	**114,543**	**33,888**

1.c. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Financial Assets Held for Trading	35,548	121	40,601	97
Interest Income on Financial Assets at Fair Value through Profit and Loss				
Interest Income on Financial Assets Available for Sale	1,575,705	397,789	1,549,519	444,629
Investments Held to Maturity	1,711,870	482	1,629,316	2,880
Total	**3,323,123**	**398,392**	**3,219,436**	**447,606**

1.d. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	19,658	7,154

2.a. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	10,891	175,407	356,510	115,475
Central Bank of Turkey				
Domestic Banks	10,891	4,106	10,494	4,382
Foreign Banks		171,301	346,016	111,093
Foreign Head Offices and Branches				
Other Institutions		43,085		39,192
Total (*)	**10,891**	**218,492**	**356,510**	**154,667**

(*) Includes fee and commission expenses regarding to cash loans.

2.b. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	75,494	95,190

2.c. Information on interest paid to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid to Securities Issued	166,065	41,983		

2.d. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits						Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year	Accumulated Deposits	
TL								
Bank Deposits	3	8,589	32,879	6,043	2,244	3,060		52,818
Savings Deposits	8	724,326	1,917,244	166,770	34,497	34,021		2,876,866
Public Sector Deposits	18	7,495	13,466	825	2	483		22,289
Commercial Deposits	119	146,430	400,254	76,510	7,719	3,992		635,024
Other Institutions Deposits		72,943	206,982	183,437	104,802	58		568,222
Deposits with 7 Days Notice								
Total	**148**	**959,783**	**2,570,825**	**433,585**	**149,264**	**41,614**		**4,155,219**
FC								
Foreign Currency Deposits	62	184,227	424,342	84,772	11,320	93,440		798,163
Bank Deposits	36	3,006	9,806	5,723	1,686	3,593		23,850
Deposits with 7 Days Notice								
Precious Metals Deposits								
Total	**98**	**187,233**	**434,148**	**90,495**	**13,006**	**97,033**		**822,013**
Grand Total	**246**	**1,147,016**	**3,004,973**	**524,080**	**162,270**	**138,647**		**4,977,232**

3. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading		
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	1,191	543
Other	554,511	368,667
Total	**555,702**	**369,210**

4. Information on trading income/losses (Net):

	Current Period	Prior Period
Profit		
Securities Trading Gains	126,758	515,302
Gains on Derivative Financial Instruments	3,875,154	2,753,087
Foreign Exchange Gains	78,524,978	51,117,861
Losses (-)		
Securities Trading Losses	10,771	892
Losses on Derivative Financial Instruments	3,543,391	2,824,133
Foreign Exchange Losses	78,666,655	51,426,595
Trading Income /Losses (Net)	**306,073**	**134,630**

The profit amount arising from foreign currency changes related to derivative transactions stands at TL 3,047,210, the loss amount stands at TL 2,614,733 and the amount of net profit is TL 432,477 (31 December 2010 profit: TL 2,362,784, loss: TL 1,801,277).

5. Information on other operating income:

81% of the other operating income arises from the collections or reversals of the provisions set aside in prior years for various reasons mainly for non-performing loans. The share of income from fixed assets sale in other operating income is 12%. The fixed asset sale includes TL 62,478 sales profit from the sale of the shares of Visa and Mastercard, which are qualified as available-for-sale securities. The remaining part of the other operating income is composed of the fee income received from customers on various banking services.

6. Information on provision for loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	597,457	769,520
Group III Loans and Receivables	438,637	568,535
Group IV Loans and Receivables	15,376	33,590
Group V Loans and Receivables	143,444	167,395
General Loan Provision Expenses	545,756	234,456
Provision Expenses for Potential Risks		
Marketable Securities Impairment Losses	3,844	100
Financial Assets at Fair Value through Profit and Loss	3,844	100
Financial Assets Available for Sale		
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity	17,886	
Investment in Associates		
Subsidiaries	17,886	
Jointly Controlled Entities		
Investments Held to Maturity		
Others	218,850	131,373
Total	**1,383,793**	**1,135,449**

7. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1,819,222	1,625,420
Reserve for Employee Termination Benefits	33,773	51,677
Bank Pension Fund Deficit Provisions	19,914	22,260
Impairment Losses on Tangible Assets		36,433
Depreciation Expenses of Tangible Assets	165,487	145,245
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	46,358	46,077
Impairment Losses on Share of Participations Accounted for Using the Equity Method		
Impairment Losses on Assets to be Disposed	1,147	1,039
Depreciation Expenses of Assets to be Disposed	7,034	6,033
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	1,092,965	905,425
Operating Lease Expenses	156,120	128,237
Repair and Maintenance Expenses	19,758	16,852
Advertisement Expenses	144,643	133,191
Other Expenses	772,444	627,145
Loss on Sale of Assets	1,904	30,650
Other	293,395	332,864
Total	**3,481,199**	**3,203,123**

8. Information on profit/loss before taxes including profit/loss from continuing and discontinued operations

The Bank's profit before tax is generated from its continuing operations. The profit before tax consists of net interest income of TL 4,561,800, net fee and commission income of TL 1,428,583 and the other operation expenses amount to TL 3,481,199.

9. Information on provision for taxes including taxes from continuing and discontinued operations

As of 31 December 2011 the Bank's total tax provision of TL 630,793 consists of current tax expense of TL 296,063 and deferred tax expense of TL 334,730.

10. Information on net operating profit/loss after taxes including net profit/loss from continuing and discontinued operations:

The Bank's net profit generated from its continuing operations amounts to TL 2,667,487.

11 . Explanation on Net Period Profit / Loss:

a. Income and expense resulting from regular banking activities: No further explanation on operating results is needed for better understanding of the Bank's performance in the period 1 January 2011 - 31 December 2011.

b. Any changes in estimations that might have a material effect on current and subsequent period results:
No disclosure is required.

c. "Other" item under "Fees and Commissions Received" in the Income Statement is composed of fees and commissions received from various banking operations, mainly from credit card operations and capital market operations.

d. Other items do not exceed 10% of the total amount of the income statement.

V. EXPLANATIONS AND NOTES ON THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 1,646,564 and the balance of extraordinary reserves is TL 5,890,766.

In the current period, the change in other reserves item is a result of the conversion profit of foreign branches.

The details of revaluation surplus of securities are shared in the Note no. V-II-13-h. TL 66,561 of this amount is the deferred tax effect on available for sale securities (31 December 2010: TL -41,444).

VI. EXPLANATIONS AND NOTES ON THE STATEMENT OF CASH FLOWS

The operating profit of TL 3,227,392 before the changes in operating assets and liabilities consists of TL 10,738,853 of interest received predominantly from loans and securities, and TL 6,056,019 of interest predominantly paid on mainly deposits, money market operations and funds borrowed by the Bank.

The effect of changes in foreign exchange rates on cash and cash equivalents is approximately TL 652,811 as of 31 December 2011 (31 December 2010: TL -70,624).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, precious metals, money market operations as well as demand deposits and time deposits up to 3 months are defined as cash and cash equivalents.

Cash and cash equivalents at beginning of the period:

	Current Period 31.12.2010	Prior Period 31.12.2009
Cash	**5,647,529**	**6,967,878**
Cash in TL and Foreign Currency	923,709	777,586
Central Bank of Turkey and Other	4,723,820	6,190,292
Cash Equivalents	**3,130,509**	**6,132,582**
Banks' Demand Deposits and Time Deposits Up to 3 Months	3,130,509	6,132,582
Money Market Receivables		
Total Cash and Cash Equivalents	**8,778,038**	**13,100,460**

The total amount resulting from the transactions made in the previous period, shows the total cash and cash equivalents as of the beginning of the current period.

Cash and cash equivalents at end of the period:

	Current Period 31.12.2011	Prior Period 31.12.2010
Cash	**6,920,592**	**5,647,529**
Cash in TL and Foreign Currency	1,120,445	923,709
Central Bank of Turkey and Other	5,800,147	4,723,820
Cash Equivalents	**2,178,731**	**3,130,509**
Banks' Demand Deposits and Time Deposits Up to 3 Months	2,135,604	3,130,509
Money Market Receivables	43,127	
Total Cash and Cash Equivalents	**9,099,323**	**8,778,038**

VII. EXPLANATIONS AND FOOTNOTES ON THE BANK'S RISK GROUP

1. Information on the volume of transactions relating to the Bank's risk group, incomplete loan and deposit transactions and period's profit and loss:

a. Current Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	300,597	1,506,659		19	552,895	107,985
Balance at the end of the period	538,591	2,188,952	2	19	892,899	148,663
Interest and commission income received	19,658	175			41,745	1,042

b. Prior Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	162,500	1,381,322		10	444,192	102,324
Balance at the end of the period	300,597	1,506,659		19	552,895	107,985
Interest and commission income received	7,154	286			25,523	1,107

c.1. Information on deposits held by the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
Deposits	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the beginning of the period	1,218,847	1,514,269	840,520	237,295	1,370,925	882,232
Balance at the end of the period	1,430,686	1,218,847	549,679	840,520	1,725,317	1,370,925
Interest expense on deposits	67,370	91,290	63,241	37,588	79,389	59,023

c.2. Information on forward and option agreements and other similar agreements made with the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss						
Beginning of the period		3,581			10,200	
End of the period	557,190				188,145	10,200
Total Profit/ Loss	13,438	95			2,609	539
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/ Loss						

2. In connection with the Bank's risk group:

a. The relationship of the Bank with corporations in its risk group and under its control regardless of any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b. The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 1.56%, while the ratio to the overall assets is 0.89%; the ratio of deposits of the risk group corporations to the overall deposits is 3.77%, while the ratio to overall liabilities is 2.29%. Comparable price method is used in pricing the transactions.

c. Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

The Bank acquires its properties through its associate, İş Finansal Kiralama A.Ş., when required. The Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş. Of the 38 mutual funds, which were founded by the Bank, 26 of them are managed by İş Portföy Yönetimi A.Ş. and 12 of them are managed by İş Yatırım Menkul Değerler A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

3. Total salaries and similar benefits paid to the key management personnel

Benefits paid to key management personnel in the year 2011 amount to TL 14,692 (31 December 2010: TL 13,740).

TÜRKİYE İŞ BANKASI A.Ş. *(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)*

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND REPRESENTATIVE OFFICES

	Number	Employees			
Domestic Branches(*)	1,184	24,667			
			Country of Incorporation		
Foreign Representative Offices	1	1	People's Republic of China		
	1	1	Egypt		
				Total Assets	Legal Capital
Foreign Branches	1	24	England	6,016,844	291
	14	176	TRNC	893,104	80,000
	1	10	Iraq	29,345	13,327
Off-Shore Branches	1	8	Bahrain	18,735,932	

(*)The Branches located in Free Trade Zones in Turkey are included among domestic branches.

IX. ISSUES WHICH OCCURED AFTER DATE OF THE BALANCE SHEET DATE

1. Within the framework of the resolution made by İşbank Board of Directors on 30 November 2010 and 23 December 2011 regarding the issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 1,000,000 and a maturity of 175 days; in January 2012. The interest rate for the related bills with the redemption date 18 July 2012 was at 11.14% (annual simple interest).

2. On 1 February 2012, the Bank's Board of Directors made a resolution to raise the registered capital ceiling of İşbank to TL 10,000,000 from TL 7,000,000 and to amend the articles 5, 18, 19, 49, 58, 62 and provisional article 17 of İşbank's Articles of Incorporation and on the same date it was publicly disclosed.

3. On 13 February 2012, the Bank's Board of Directors decided to increase the paid-in capital of Closed Joint Stock Company İşbank, a subsidiary of İşbank, from 523 million Rubles to 1,723 million Rubles by 1,200 million Rubles (approximately USD 40.2 million) in cash and to exercise İşbank's preferential rights amounting to 1,200 million Rubles due to the related capital increase and on the same date it was publicly disclosed.

PART SIX: OTHER EXPLANATIONS

I. The Bank's Credit Ratings and Related Explanations:

	Rating	Outlook (*)	Explanation
MOODY'S			
Bank Financial Strength	C-	Stable	Indicates that the Bank's stand-alone financial strength is adequate.
Long-term Foreign Currency Deposit	Ba3	Positive	Same as the rating for Turkey.
Long-term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-term Foreign Currency Deposit	NP	-	Same as the rating for Turkey.
Short-term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is "good". It is one notch above the country rating.
Long-term Local Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is "good". It is one notch above the country rating.
Short-term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-term Rating	AAA (tur)	Stable	Shows highest credit quality (national).
Viability Rating	bbb-	-	Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Support Rating	3	-	There is a moderate probability of support.
STANDARD & POOR'S			
Long-term Counterparty Credit Rating	BB	Positive	Same as the FC country rating given for Turkey.
Long-term Certificate of Deposit	BB	-	Same as the FC country rating given for Turkey.
Short-term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its financial commitment on the obligation.
Short-term Certificate of Deposit	B	-	Indicates that it has the capacity to meet its financial commitment on its obligations.
Long-term National Scale Rating	trAA	-	Indicates that its capacity to meet its financial commitments on the obligation is strong.
Short-term National Scale Rating	trA-1	-	It is the highest rating in this category and indicates that the Bank's capacity to pay its short-term debt is higher than the other institutions in the country.

The dates below given are on which the Bank's credit ratings/outlook was last updated:

Moody's: 7 October 2010, Fitch Ratings: 28 November 2011, Standard & Poor's: 22 February 2010

(*) Outlook:

"Stable" indicates that the current rating will not be changed in the short term, "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

PART SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT:

The Bank's unconsolidated financial statements and footnotes to be disclosed to public as of 31 December 2011 are audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and except for the effect of the matter on the financial statements described in the fourth paragraph of the report dated 14 February 2012, it is stated that the accompanying unconsolidated financial statements give a true and fair view of the Bank's financial position and results of its operations as of 31 December 2011.

II. EXPLANATIONS AND FOOTNOTES OF THE INDEPENDENT AUDITORS

There are no significant issues or necessary disclosures or notes in relation to the Bank's operations other than those mentioned above.

PRINCIPAL OFFICE OF THE BANK

Türkiye İş Bankası A.Ş.
İş Kuleleri
34330 Levent, İstanbul
Turkey

INITIAL PURCHASERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

FISCAL AGENT AND PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR, TRANSFER AGENT AND PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2-4 rue Eugene Ruppert
2453 Luxembourg

UNITED STATES PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon, New York Branch
101 Barclay Street
New York, New York
USA

LEGAL COUNSEL TO THE INITIAL PURCHASERS AS TO ENGLISH AND UNITED STATES LAW

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

Allen & Overy LLP
52 Avenue Hoche
Paris 75379
France

LEGAL COUNSEL TO THE INITIAL PURCHASERS AS TO TURKISH LAW AND TURKISH TAX COUNSEL

Paksoy Ortak Avukat Bürosu
Sun Plaza
Bilim Sokak No: 5 K:14
Maslak, 34398 İstanbul
Turkey

LEGAL COUNSEL TO THE BANK AS TO ENGLISH AND UNITED STATES LAW

Mayer Brown International LLP
201 Bishopsgate
London EC2M 3AF
United Kingdom

Mayer Brown LLP
71 South Wacker Drive
Chicago, Illinois 60606
USA

LEGAL COUNSEL TO THE BANK AS TO TURKISH LAW

YazıcıLegal
Levent Mah. Yasemin Sok. No.13
1. Levent Beşiktaş, 34340 İstanbul
Turkey

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

AUDITORS TO THE BANK

KPMG
Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No:3
34805 Beykoz-İstanbul
Turkey