



TÜRKİYE İŞ BANKASI A.Ş.
US\$1,000,000,000 6.00% Subordinated Notes due 2022

Türkiye İş Bankası A.Ş., a Turkish banking institution organized as a public joint stock company with registered number 431112 (the “Bank” or “Issuer”), is issuing US\$1,000,000,000 6.00% Subordinated Notes due 2022 (the “Notes”). The 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 outside the United States (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 Notes, see “Plan of Distribution,” “Selling Restrictions” and “Transfer Restrictions” herein.

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER “RISK FACTORS” BEGINNING ON PAGE 23 OF THIS OFFERING CIRCULAR.

Interest on the Notes will be paid in arrear on the 24th day of each April and October; *provided* that if any such date is not a Payment Business Day (as defined in Condition 6), then such payment will be made on the next Payment Business Day. Principal of the Notes is scheduled to be paid on October 24, 2022 (the “Maturity Date”), but may be paid earlier under certain circumstances as further described herein. The Notes initially will be sold to investors at a price equal to 100.00% of the principal amount thereof. For a more detailed description of the Notes, see “Conditions of the Notes.”

Application has been made to: (a) the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “UK Listing Authority”) for the Notes to be admitted to listing on the official list of the UK Listing Authority (the “Official List”) and (b) London Stock Exchange plc (the “London Stock Exchange”) for the Notes to be admitted to trading on the London Stock Exchange’s Regulated Market (the “Market”). References in this Offering Circular (this “Offering Circular”) to the Notes being “listed” (and all related references) will mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of the European Union 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. 2499 of the Republic of Turkey (“Turkey”) relating to capital markets (the “Capital Markets Law”) for the registration of the Notes with the CMB and the issuance of the Notes by the Bank outside Turkey. The issuance of the Notes was approved by the CMB on June 13, 2012, and the registration certificate relating to the Notes is expected to be obtained from the CMB on or about October 19, 2012.

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

The Notes are expected to be rated at issuance “BB+” by Fitch Ratings Ltd. (“Fitch”) and “Ba2” 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”). The Rating Agencies have also issued ratings in respect of the Turkish government, as set out on page 39 of this Offering Circular, and the Bank, as set out on page 135 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 Notes are being offered under Rule 144A and Regulation S by each of Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Mitsubishi UFJ Securities International plc and Standard Chartered Bank (each an “Initial Purchaser” and, collectively, the “Initial Purchasers”), subject to their acceptance and right to reject orders in whole or in part. It is expected that: (a) delivery of the Rule 144A Notes (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 October 24, 2012 (*i.e.*, the fourth Business Day following the date of pricing of the Notes (such date being referred to herein as the “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 S.A./N.V. (“Euroclear”) and/or Clearstream Banking, *société anonyme*, Luxembourg (“Clearstream, Luxembourg”), against payment therefor in immediately available funds on the Issue Date.

Deutsche Bank

J.P. Morgan

Mitsubishi UFJ Securities

Standard Chartered Bank

The date of this Offering Circular is October 22, 2012.

This Offering Circular comprises a prospectus for: (a) the purpose of Article 5 of Directive 2003/71/EC of the European Union, as amended (including the amendments made by Directive 2010/73/EU) to the extent that such amendments have been implemented in the relevant member state of the European Economic Area (the “*Prospectus Directive*”), and (b) the purpose of giving information with regard to the Bank and the Notes that, according to the particular nature of the Bank and the 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 Notes. This Offering Circular is to be read in conjunction with the financial statements that form part of and are included 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 Notes, (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 and/or the Initial Purchasers to subscribe for or purchase, any 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 Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Initial Purchasers. The 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 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 Notes (or beneficial interests therein) and on the distribution of this Offering Circular and other offering material relating to the Notes, see “Selling Restrictions” and “Transfer Restrictions.”

No person has been authorized in connection with the offering of the Notes (or beneficial interests therein) to give any information or make any representation regarding the Bank, the Initial Purchasers or the 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 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 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 Notes, the merits and risks of investing in the 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 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 Notes, including where the currency for principal and interest payments is different from the potential investor's currency,
- understand thoroughly the terms of the 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 representatives is making any representation to any offeree or purchaser of the 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 Notes.

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GENERAL INFORMATION

The Notes have not been and will not be registered under the Securities Act or under the securities or “blue sky” laws of any state of the United States or any other US jurisdiction. Each investor, by purchasing a Note (or a beneficial interest therein), agrees that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions therefrom 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, that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

The offering of the Notes has been authorized by the CMB only for the purpose of the sale of the 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*”) and Articles 6 and 25 of Communiqué Serial II, No. 22 on the Principles on the Registration and Sale of Debt Instruments (the “*Communiqué*”). The 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 Notes; *provided* that, following the primary sale of the Notes, no transaction that may be deemed a sale of the 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 Notes (or beneficial interests therein) in secondary markets by residents of Turkey; *provided* that they purchase or sell such Notes (or beneficial interests) in the financial markets outside of Turkey and such sale and purchase is made through banks and/or licensed brokerage institutions authorized pursuant to CMB regulations. The registration certificate relating to the Notes is expected to be obtained from the CMB on or about October 19, 2012.

Notes offered and sold to QIBs in reliance upon Rule 144A (the “*Rule 144A 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*”). Notes offered and sold outside the United States to non-US persons pursuant to Regulation S (the “*Regulation S Notes*”) will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons (the “*Regulation S Certificates*” and, with the Rule 144A Certificates, the “*Global Certificates*”).

The Regulation S Certificates will be deposited on or about the Issue Date with a common depository (the “*Common Depository*”) for Euroclear and Clearstream, Luxembourg, and will be registered in the name of the Common Depository (or a nominee thereof). Except as described in this Offering Circular, beneficial interests in the Regulation S Certificates will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and Clearstream, Luxembourg. The Rule 144A Certificates will be deposited on or about the Issue Date with The Bank of New York Mellon, New York Branch, in its capacity as custodian (the “*Custodian*”) for, and will be registered in the name of Cede & Co. as nominee of, DTC. Except as described in this 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 Issue Date (the “*Agency Agreement*”).

Applications have been made to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the Market; *however*, no assurance can be given that such applications will be accepted.

In connection with the issue of the Notes, one or more Initial Purchaser(s) named as the stabilizing manager(s) (if any) (the “*Stabilizing Manager(s)*”) (or persons acting on behalf of any Stabilizing Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; *however*, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing

Manager(s)) 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 registered with the CMB.

Other than authorization by the CMB, the 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, United Kingdom 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 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 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 Notes (and beneficial interests therein) in the United States, Turkey, the United Kingdom and numerous other jurisdictions.

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).

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 its competitors has been obtained (and used without material adjustment) from publicly available information, including press releases and filings made under various laws. Unless otherwise indicated, 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 or the Banks Association of Turkey’s website at www.tbb.org.tr, 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 Cumhuriyeti 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 at www.ebf-fbe.eu. Data have been downloaded/observed on various days between the months of August 2012 and October 2012 and may be the result of calculations made by the Bank, and therefore 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.

Unless otherwise indicated, the sources for statements and data concerning the Bank, the Group and their 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 and the Group included herein, whether based upon external sources or the Bank’s management’s internal research, constitute the Bank’s best current estimates of the information described.

Any translation of information from Turkish into English for the purpose of inclusion in this Offering Circular is direct and accurate.

Where third-party information has been used in this Offering Circular, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not

guaranteed. Information regarding the Bank's shareholders (including ownership levels and agreements) in the "Overview - Overview of the Group," "Business of the Group" and "Ownership" sections has been based upon public filings and announcements by such parties. Such data (including from the Banks Association of Turkey, the BRSA, the Central Registry Agency, TurkStat and the Central Bank), while believed to be reliable and accurately extracted by the Bank for the purposes of this Offering Circular, has not been independently verified by the Bank or any other party and prospective investors should not place undue reliance upon such data included in this Offering Circular. 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.

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 Notes.

Potential investors should not place undue reliance upon any forward-looking statements. 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, 2009, 2010 and 2011 (the “*BRSA Annual Financial Statements*”) and unaudited interim consolidated and unconsolidated financial statements for the six month period ended June 30, 2012 (the “*BRSA Interim Financial Statements*”) and, together with the BRSA Annual Financial Statements, 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 and 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, financial assets available-for-sale, financial liabilities held for trading, 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 liabilities, which are presented at amortized cost. Though the Group is not required by Turkish law to prepare financial statements in accordance with International Financial Reporting Standards (“IFRS”), including International Accounting Standards (“IAS”) as promulgated by the International Accounting Standards Board (“IASB”) and interpretations issued by the Interpretations Committee of IASB, as international investors are generally unfamiliar with BRSA Principles, the Group prepares financial statements in accordance with IFRS. The Group’s IFRS financial statements as of and for the years ended December 31, 2009, 2010 and 2011 (the “IFRS Financial Statements”) have been incorporated herein by reference.

The BRSA Annual Financial Statements as of and for the year ended December 31, 2009 have been audited in accordance with the “Regulation Regarding the Authorization and Activities of Incorporations that will Perform Independent Audit at Banks” published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) (“Deloitte”). The BRSA Annual Financial Statements as of and for the years ended December 31, 2010 and 2011 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 report included with the BRSA Annual Financial Statements attached to 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). See “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Audit Qualification.”

The IFRS Financial Statements as of and for the years ended December 31, 2009 have been audited in accordance with the International Standards on Auditing by Deloitte. 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. See KPMG’s reports included with the IFRS Financial Statements incorporated by reference into this Offering Circular. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Audit Qualification.”

The BRSA Interim Financial Statements as of and for the six month period ended June 30, 2012 have been reviewed by KPMG. See KPMG’s report included with the BRSA Interim Financial Statements attached to this Offering Circular. With respect to the unaudited BRSA Interim Financial Statements as of and for the six month period ended June 30, 2012 (with June 30, 2011 as the comparative period) attached to this Offering Circular, KPMG has reported that they applied limited procedures in accordance with professional standards for a review of such information; *however*, their separate report attached to this Offering Circular states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Audit Qualification.”

Unless otherwise indicated, the financial information presented herein is based upon the BRSA Financial Statements attached hereto and have been extracted from the BRSA Financial Statements without material adjustment.

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 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 assets of less than or equal to TL 25 million or companies with less than or equal to 250 employees (the “BRSA SME Definition”).

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 this Offering Circular.

NON-GAAP MEASURES OF FINANCIAL PERFORMANCE

To supplement the Group's consolidated financial statements presented in accordance with BRSA standards, 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 standards 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 - Overview of 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 standards and may be different from non-GAAP measures used by other companies. The Group's management believes that this information, along with comparable measures under BRSA standards, 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 standards, 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 standards. 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 standards, 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 1986 and the Treaty of European Union of February 7, 1992, as amended. Unless otherwise indicated, references to "*Pounds Sterling*" or "*£*" are to the lawful currency of the United Kingdom.

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 Bank of fluctuating exchange rates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

DOCUMENTS INCORPORATED BY REFERENCE

The following documents that have previously been published and have been filed with the National Storage Mechanism shall be incorporated in, and form part of, this Offering Circular:

- the auditors’ review report and audited consolidated IFRS Financial Statements of the Group for the year ended December 31, 2011 (which includes 2010), and
- the auditors’ audit report and audited consolidated IFRS Financial Statements of the Group for the year ended December 31, 2010 (which includes 2009).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained without charge from the registered office of the Bank.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company organized under the laws of Turkey. 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 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.

AVAILABLE INFORMATION

THE BANK WILL UNDERTAKE IN A DEED POLL EXPECTED TO BE ENTERED INTO ON THE 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.

OVERVIEW

Overview of 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 291 companies and, over time, has divested shares in 265 of these companies. As of June 30, 2012, the Bank held direct equity interests in 26 companies operating in finance, glass, telecommunications and other industrial and services sectors. As of June 30, 2012, the total book value of the Bank's equity participations was TL 6,994 million.

As of June 30, 2012, the Bank was the largest bank in Turkey in terms of total assets and total loans and had the largest market shares of total deposits, TL-denominated deposits, demand deposits, total loans, TL-denominated loans, consumer loans, number of debit cards and volume of debit cards transactions among private sector banks (sources: BRSA, Banks Association of Turkey and Interbank Card Center). The Group has approximately 14.2 million retail customers, nearly 6,000 corporate customers and almost 856,000 commercial customers as of June 30, 2012. The Bank has the largest deposit base among private banks with TL 99,433 million in deposits as of June 30, 2012 (Source: BRSA). Unlike most of its competitors, in addition to the branches in city centers, the Bank also has branches in rural districts. In particular, in 76 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 June 30, 2012, the Bank's customers have held accounts with the Bank for an average of 8.4 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 KGS-OGS (Turkey's highway toll collection system),
- *private banking activities:* in addition to its retail banking products and services, structured products, Privia credit cards, Privia consumer loans, Privia mutual funds and Privia individual pension accounts 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 electronic banking (in 1983), “Bankamatik” ATMs (in 1987), interactive telephone banking (in 1991), interactive banking (in 1996) and internet banking (in 1997). In addition, the Bank was the first bank in Turkey to offer remote stock exchange transactions through its ATMs and its electronic banking facilities and the first bank in Turkey to introduce WAP telephone banking transactions, a Java-based mobile phone banking service and a mobile signature application that enables cardless cash withdrawal and facilitates borrowing without the need to visit a branch. The Bank’s management believes that the Bank offers a wider range of banking services through its ATM network and electronic banking facilities than any of its competitors.

As of June 30, 2012, the Group’s capital adequacy ratio was 14.4% (13.1% when calculated using Tier I capital only); *however*, such calculations would differ were Basel II then in effect. 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 21,839 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 27.9% and its loan-to-deposit ratio was 106.1%. The Group’s net operating income was TL 3,361 million in 2009, TL 3,916 million in 2010, TL 3,088 million in 2011 and TL 2,236 million for the six months ended June 30, 2012. The Group’s net period profit from continuing operations was TL 2,752 million in 2009, TL 3,232 million in 2010, TL 2,389 million in 2011 and TL 1,789 million for the six months ended June 30, 2012.

As of June 30, 2012, the Group had total assets of TL 189,217 million, total deposits of TL 99,881 million and a loan portfolio of TL 106,012 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 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 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 Notes should refer to “Business of the Group-Strategy” for more detail on the key strategies outlined above.

Risk Factors

Investing in the Notes entails certain risks. Before investing in the 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 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 Notes.

Overview of the Notes

The following is an overview of certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. This overview 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\$1,000,000,000 principal amount of 6.00% subordinated Notes due 2022, which are issued in compliance with Article 8 of the BRSA Regulation on Equities of Banks (published in the Official Gazette dated November 1, 2006 and numbered 26333), as amended (the "BRSA Regulation") and the BRSA's permission and subject to registration with the CMB in accordance with Article 15/b of Decree 32 and Articles 6 and 25 of the Communiqué.

Interest and Interest Payment Dates: The Notes will bear interest from and including the Issue Date (*i.e.*, October 24, 2012) at the rate of 6.00% *per annum*, payable semi-annually in arrear on the 24th day of each April and October (each an "Interest Payment Date"); *provided* that, as described in Condition 6, if any such date is not a Payment Business Day, then such payment will be made on the next Payment Business Day. The first interest payment (for the period from and including the Issue Date to but excluding the first Interest Payment Date and amounting to US\$30 per US\$1,000 principal amount of Notes) will be made on the first Interest Payment Date.

In the event that any default is made by the Bank in the payment of any principal or interest due in respect of the Notes or any of them (save as a result of the winding-up, dissolution or liquidation of the Bank) and the default continues for a period of seven days in the case of principal or 14 days in the case of interest, and for so long as such default is continuing, the Interest Rate will be increased by one percentage point *per annum* to 7.00% *per annum*, which increase will take effect from and including the date on which the relevant payment was due.

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 24, 2022.

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

Status and Subordination: The Notes will constitute direct, unsecured and subordinated obligations of the Bank and will, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

- (a) subordinate in right of payment to the payment of all of the Bank's present and future indebtedness and other obligations (including, without limitation: (i) obligations for any Senior Taxes, statutory preferences and other legally-required payments, (ii) obligations to depositors and trade creditors and (iii) obligations under hedging and other financial instruments) other than its obligations under: (A) the Notes, (B) any Parity Obligations and (C) any Junior Obligations (collectively, the "Senior Obligations"),
- (b) *pari passu* without any preference among themselves and with all securities or other instruments issued by the Bank, including any present and future dated subordinated loans (as defined in Article 8 of

the BRSA Regulation) or other payment obligations of the Bank that rank, or are expressed to rank, *pari passu* with the Bank's obligations under the Notes (collectively, the "*Parity Obligations*"), and

- (c) in priority to all payments in respect of any class of share capital (including ordinary and preferred shares) of the Bank together with any present and future undated or perpetual subordinated indebtedness, including any obligations arising out of any other subordinated loans or debt instruments (as defined in Article 7 of the BRSA Regulation) or other payment obligations of the Bank that rank, or are expressed to rank, junior to the Bank's obligations under the Notes (collectively, the "*Junior Obligations*").

The Notes are subordinated obligations of the Bank. Consequently, if a Subordination Event occurs and for so long as that Subordination Event subsists, no amount will be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied.

"*Senior Taxes*" means any tax, levy, fund, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) including the Banking and Insurance Transactions Tax (*Banka Sigorta Muameleleri Vergisi*) imposed by Article 28 of the Expenditure Law (No. 6802), income withholding tax pursuant to the decrees of the Council of Ministers of Turkey (decrees No. 2011/1854 and No. 2010/1182, collectively the "*Tax Decrees*"), Articles 15 and 30 of the Corporate Income Tax Law (No. 5520) and Article 94 and Provisional Article 67 of the Income Tax Law (No. 193), any reverse VAT imposed by the VAT Law (Law No. 3065), any stamp tax imposed by the Stamp Tax Law (Law No. 488) and any withholding tax imposed by, or anti-tax haven regulation under, Article 30.7 of the Corporate Income Tax Law (Law No. 5520).

"*Subordination Event*" means any distribution of the assets of the Bank on a dissolution, winding-up or liquidation of the Bank whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganization or indebtedness (*konkordato*) or any analogous proceedings referred to in the Banking Law (Law No. 5411), the Turkish Commercial Code (Law No. 6102) or the Turkish Execution and Bankruptcy Code (Law No. 2004).

Regulatory Treatment:..... The Bank expects to receive the consent of the BRSA to the initial treatment of 100% of the Notes as "Tier II" capital (as provided under Article 5 of the BRSA Regulation); *however* no guaranty thereof can be provided. See "Turkish Regulatory Environment – Capital Adequacy – Tier II Rules under Turkish Law."

No Set-off or Counterclaim:..... All payment obligations of, and payments made by, the Bank under and in respect of the Notes must be determined and made without reference to any right of set-off or counterclaim of any holder of the Notes, whether arising before or in respect of any Subordination Event. By virtue of the subordination of the Notes, following a Subordination Event and for so long as that Subordination Event subsists and prior to all payment obligations in respect of Senior Obligations having been satisfied, no holder of the Notes may exercise any right of set-off or counterclaim in respect of any amount owed to such holder by the Bank in respect of the Notes and any such rights will be deemed to be waived.

Certain Covenants..... The Bank will agree to certain covenants, including covenants limiting transactions with affiliates. See "Conditions of the Notes-Condition 4."

No Link to Derivative Transactions: The Notes will not be: (a) linked to any derivative transaction or derivative contract in any way that would result in a violation of Articles 8(1)(c) and (d) of the BRSA Regulation or (b) in any manner the subject of any guarantee or security.

Taxation; Payment of Additional

Amounts: All payments in respect of the Notes by or on behalf of the Bank will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“*Taxes*”) imposed or levied by or on behalf of any Relevant Jurisdiction, unless such 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 6.2; *it being understood* that, in accordance with Condition 8.1, no additional amount will be payable by the Bank in respect of any such withholding or reduction.

See “Conditions of the Notes-Condition 8.”

Optional Redemption for Capital

Disqualification Event: The Notes may be redeemed at the option of the Bank in whole, but not in part, at their principal amount (together with interest accrued to the date fixed for redemption) if, as a result of any change in applicable law (including the BRSA Regulation), or the application or official interpretation thereof, as confirmed in writing by the BRSA, the principal amount of the outstanding Notes is fully excluded from inclusion as Tier 2 capital of the Bank (save where such exclusion is only as a result of any applicable limitation on the amount of such capital) (a “*Capital Disqualification Event*”). See “Conditions of the Notes-Condition 7.”

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 from the fifth anniversary of the Issue Date (subject to certain conditions, including the prior approval of the BRSA), at their principal amount (together with interest accrued to 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 October 22, 2012, on the next Interest Payment Date: (i) the Bank would be required to pay any additional amounts as provided or referred to in Condition 8 and (ii) the Bank would be required to make any withholding as deduction for, or on account of, any Taxes imposed or levied by or on behalf of a Relevant Jurisdiction beyond the prevailing applicable rates on October 22, 2012, and
- (b) the requirement cannot be avoided by the Bank taking reasonable measures available to it.

Events of Default If:

- (a) default is made by the Bank 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) a Subordination Event occurs, or
- (c) any order is made by any competent court, or resolution is passed for the winding-up, dissolution or liquidation of the Bank,

Noteholders may:

- (i) in the case of (a) above, institute proceedings for the Bank to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for the Bank's winding up, dissolution or liquidation and prove in the winding-up, dissolution or liquidation of the Bank; and/or
- (ii) in the case of (b) or (c) above, claim or prove in the winding-up, dissolution or liquidation of the Bank,

but (in either case) may take no further or other action to enforce, claim or prove for any payment by the Bank in respect of the Notes and may only claim such payment in the winding-up, dissolution or liquidation of the Bank.

In any of the events or circumstances described in (b) or (c) above, a Noteholder may give notice to the Bank that its Notes are, and will accordingly forthwith become, immediately due and repayable at their principal amount, together with interest accrued to the date of repayment, subject to the subordination provisions described under "Status and Subordination" above.

A Noteholder may at its discretion institute such proceedings against the Bank as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Bank under the Notes (other than, without prejudice to the provisions above, any obligation for the payment of any principal or interest in respect of the Notes), provided that the Bank will not by virtue of the institution of any such proceedings be obliged to pay any amount or amounts sooner than the same would otherwise have been payable by it, except with the prior approval of the BRSA.

No remedy against the Bank other than as provided above will be available to Noteholders, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Bank of any of its obligations or covenants under the Notes.

Form, Transfer and Denominations: Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Regulation S Certificate(s) in registered form, without interest coupons attached, which will be deposited with the Common Depository, and registered in the name of the Common Depository (or a nominee thereof). Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Rule 144A Certificate(s), in registered form, without interest coupons attached, which will be deposited with the

Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, certificates for the Notes will not be issued to investors in exchange for beneficial interests in the Global Certificates.

Interests in the Global Certificates will be subject to certain restrictions on transfer. See “Transfer Restrictions.” Interests in the Regulation S Certificate(s) 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.

Purchases by the Bank and its Affiliates:

Pursuant to Article 8 of the BRSA Regulation, the Notes may not be assigned and/or transferred to, or for the benefit of, any of the Bank’s affiliates or subsidiaries (as contemplated in the Banking Law (Law No. 5411)). The Bank, to the extent permitted by applicable laws and subject to having obtained the prior approval of the BRSA, may at any time (but not before the fifth anniversary of the Issue Date) purchase the Notes in any manner and at any price.

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 and the Agency Agreement will be governed by, and construed in accordance with, English law, except for the provisions related to subordination in Condition 3 (See “Conditions of the Notes – Condition 3”), which will be governed by the laws of Turkey.

Listing:

Applications have been made to the UK Listing Authority for the Notes to be admitted to listing on the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market; *however*, no assurance can be given that such applications will be accepted.

Turkish Selling Restrictions

The offer and sale of the Notes (or beneficial interests therein) is 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 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 Notes (or beneficial interests therein) is also subject to restrictions in Turkey and 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: 100.00% of the principal amount payable in full in US Dollars on the Issue Date.

Yield: 6.00%

Regulation S Notes Security Codes: ISIN: XS0847042024
Common Code: 084704202

Rule 144A Notes Security Codes: ISIN: US900151AB70
CUSIP: 900151AB7
Common Code: 084768294

Representation of Noteholders: There will be no trustee.

Expected Ratings: “BB+” by Fitch and “Ba2” 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

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 Annual Financial Statements attached hereto and in “Presentation of Financial and Other Information.”

The BRSA Financial Statements as of and for the year ended December 31, 2009 were audited by Deloitte. The BRSA Financial Statements as of and for the years ended December 31, 2010 and 2011 have been audited, and as of and for the six month periods ended June 30, 2011 and 2012 have been reviewed, by KPMG.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
Balance Sheet Data:	<i>(TL thousands)</i>			
Cash and balances with the Central Bank.....	8,789,728	8,595,906	13,886,577	13,539,572
Financial assets at fair value through profit or loss (net).....	1,318,144	1,837,110	2,418,121	1,903,870
Banks.....	10,451,745	6,375,798	4,747,906	4,447,222
Money Market Placements.....	—	10,194	171,613	170,522
Financial Assets Available For Sale (Net).....	30,559,433	36,181,207	33,557,066	33,485,969
Loans.....	52,760,440	69,077,804	99,028,122	106,012,214
Factoring Receivables.....	—	331,320	404,653	667,281
Held To Maturity Investments (Net).....	13,347,307	14,070,629	13,707,432	11,874,494
Investments In Associates (Net).....	735,900	794,592	776,951	789,492
Investments In Subsidiaries (Net).....	2,260,144	2,746,829	3,202,087	3,337,608
Lease Receivables.....	931,016	963,265	1,376,390	1,334,677
Tangible Assets (Net).....	2,040,273	1,999,633	2,166,852	2,105,842
Intangible Assets (Net).....	45,247	56,114	120,352	139,486
Investment Property (Net).....	810,782	1,242,157	1,037,294	1,050,085
Tax Assets.....	637,952	836,057	655,919	682,468
Assets Held For Sale And Discontinued Operations (Net).....	28,801	54,233	60,256	64,258
Other assets.....	4,199,564	5,637,888	6,618,239	7,612,090
Total Assets.....	128,916,476	150,810,736	183,935,830	189,217,150
Deposits from the Bank’s Risk Group.....	1,485,417	2,287,626	2,133,162	2,072,192
Other deposits.....	70,569,555	86,188,993	96,698,834	97,808,687
Derivative Financial Liabilities Held for Trading.....	498,835	731,310	916,086	653,534
Funds Borrowed.....	14,798,944	14,282,865	18,779,275	18,803,935
Money Market Funds.....	13,472,637	12,969,586	22,472,982	21,522,306
Marketable Securities Issued (Net).....	—	195,954	3,765,876	5,393,622
Funds.....	—	—	7,894	8,282
Sundry creditors.....	4,577,236	5,946,252	7,161,721	8,664,957
Other liabilities.....	679,030	1,181,867	2,442,482	2,448,745
Provisions.....	7,112,309	7,560,506	8,713,868	9,356,470
Tax liabilities.....	341,245	401,175	438,081	554,591
Subordinated Loans.....	75,343	77,947	95,000	90,490
Total Liabilities.....	113,610,551	131,824,081	163,625,261	167,377,811
Paid-in Capital.....	3,079,639	4,500,000	4,500,000	4,500,000
Share Premium.....	31,008	33,937	33,937	33,937
Marketable Securities Revaluation Reserve.....	576,050	1,241,479	1,159,906	1,650,323
Bonus Shares obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures).....	1,383	(1,179)	(1,179)	(1,179)
Other Capital Reserves.....	1,977,491	1,615,938	1,615,938	1,615,938
Profit Reserves.....	5,109,463	5,918,120	8,352,002	10,384,958
Profit or Loss.....	2,567,793	3,028,597	2,179,515	1,023,718
Minority Shares.....	1,963,098	2,649,763	2,470,450	2,631,644
Total Equity.....	15,305,925	18,986,655	20,310,569	21,839,339
Total Liabilities and Equity.....	128,916,476	150,810,736	183,935,830	189,217,150

	For the six months ended				
	June 30,				
	2009	2010	2011	2011	2012
Income Statement Data:			<i>(TL thousands)</i>		
Net Interest Income	5,740,144	5,410,570	5,416,996	2,588,071	3,128,602
<i>Interest Income</i>	<i>11,370,516</i>	<i>10,850,750</i>	<i>12,081,352</i>	<i>5,581,593</i>	<i>7,262,846</i>
<i>Interest Expense</i>	<i>(5,630,372)</i>	<i>(5,440,180)</i>	<i>(6,664,356)</i>	<i>(2,993,522)</i>	<i>(4,134,244)</i>
Net Fees and Commissions Income	976,898	997,891	1,102,726	531,250	592,303
Dividend Income	166,338	45,785	171,477	171,988	204,528
Trading Income (net)	557,041	292,912	446,913	144,183	487,624
Other Operating Income	3,497,387	4,026,561	4,060,685	1,907,474	2,170,340
Total Operating Income	10,937,808	10,773,719	11,198,797	5,342,966	6,583,397
Provision for Loans and Other Receivables	(2,363,565)	(1,185,911)	(1,494,935)	(669,307)	(901,552)
Other Operating Expenses	(5,213,259)	(5,671,987)	(6,615,795)	(3,151,036)	(3,445,622)
Net Operating Income	3,360,984	3,915,821	3,088,067	1,522,623	2,236,223
Profit/Loss from Associates Accounted for using the Equity Method	6,525	4,806	9,842	4,002	8,132
Profit/Loss on Continuing Operations before Tax	3,367,509	3,920,627	3,097,909	1,526,625	2,244,355
Tax Provision for Continuing Operations	(615,205)	(688,933)	(708,541)	(324,129)	(455,619)
Net Period Profit/Loss	2,752,304	3,231,694	2,389,368	1,202,496	1,788,736

Key Ratios:	As of (or for the year ended) December 31,			As of (or for the
	2009	2010	2011	six month period
				ended) June 30,
				2012
Return on average shareholders' equity excluding minority interest ⁽¹⁾	21.1%	20.2%	13.2%	17.6%
Net interest margin ⁽¹⁾⁽²⁾	5.6%	4.3%	3.7%	4.0%
Cost-to-income ratio ⁽³⁾	35.3%	42.0%	48.5%	42.2%
Free capital ratio ⁽⁴⁾	7.3%	8.0%	7.0%	7.6%
Non-performing loans to total cash loans	5.1%	3.4%	2.1%	1.9%
Cost to average total assets ⁽¹⁾⁽⁵⁾	2.6%	2.7%	2.6%	2.4%
<i>Capital Adequacy:</i>				
Tier I regulatory capital/risk-weighted assets and market risk ⁽⁶⁾	17.5%	16.3%	13.2%	13.1%
Total regulatory capital/risk-weighted assets and market risk ⁽⁶⁾	18.1%	17.6%	14.1%	14.4%
Other Information:				
Average employees during the period	21,921	23,443	24,622	24,752
Branches at period end	1,093	1,142	1,201	1,214
Inflation rate/GDP %:				
Producer price index inflation ⁽⁷⁾	5.9%	8.9%	13.3%	6.4%
Gross Domestic Product (% change) ⁽⁸⁾	(4.8)%	9.2%	8.5%	3.1%

- (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. Interest income from the Central Bank has been excluded from net interest income.
- (3) Total operating expense and total operating income are net of 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 is net of insurance expense. Expense items as of and for the six months ended June 30, 2012 are annualized.
- (6) Calculated in accordance with BRSA regulations; *however*, such calculations would differ were Basel II then in effect. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy."
- (7) Base year –1994.
- (8) As published by TurkStat.

RISK FACTORS

An investment in the 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. 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 Notes. There may be additional risks that the Bank does not consider to be material, 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, significantly negatively affected by 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 and 8.5% in 2011 and its unemployment rate decreasing from 16.1% in February 2009 to 8.0% at the end of June 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.

Although financial markets responded favorably to measures taken by governments and showed signs of improvement in 2009, concerns about a sovereign debt crisis in certain European countries, including Greece, Ireland, Italy, Portugal and Spain, beginning in April 2010 have undermined investor confidence and resulted in a general deterioration of the financial markets. 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 5.3% as of December 31, 2009, 3.7% as of December 31, 2010, 2.7% as of December 31, 2011 and 2.7% as of June 30, 2012. (with respect to the Group, 5.1%, 3.4%, 2.1% and 1.9%, respectively). For information on the Group's non-performing loans, see "Selected Statistical and Other Data – 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 June 30, 2012, there were a total of 48 banks (excluding the Central Bank) licensed to operate in Turkey. As of June 30, 2012, the top five banks in Turkey (one of which is a state-controlled bank) held 57% of the banking sector's total loan portfolio (excluding participation banks) and 60% of the total bank assets (excluding participation banks) in Turkey, according to the Banks Association of Turkey. As of June 30, 2012, the Bank was the largest in the Turkish banking sector in terms of total assets and total loans 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 ("SEEs") 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, have caused net interest margins to decline across the Turkish banking market and such downward pressure is expected to continue 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 and Bank Hapoalim are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices; *however*, certain of such institutions (such as National Bank of Greece) have (or may) put some or all of their investments in Turkish banks up for sale as a result of their own financial circumstances. 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 Pristina, Kosovo and Baghdad, Iraq) 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 and pressure on profits owing to the time lag between the incurrence of expansion costs and any related future increases in income, if any. In the first half of 2012, the Bank opened 13 domestic branches, and the Bank is currently planning on opening a total of 47 domestic branches during 2012 with a similar amount of additional new domestic branches being opened in 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 38,396 million as of December 31, 2011 and June 30, 2012, respectively, representing 39.0% and 36.2%, respectively, of the Group's total loans at such dates. In preparing its BRSA Financial Statements and IFRS 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. The difference between average interest income and average interest expense is net interest margin. Net interest income contributed 47.5%, 48.4%, 50.2% and 52.5% of operating income in the first six months of 2012 and for the years 2011, 2010 and 2009, respectively, and net interest margin as measured on a Bank-only basis was 4.0%, 3.7%, 4.3% and 5.6% 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 June 30, 2012, over 90% of the Group's securities portfolio consisted of Turkish government debt securities, which accounted for approximately 23.1% 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 8% as of June 30, 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 June 30, 2012 accounted for 24.2% of the Group's total liabilities compared to 24.5% as of December 31, 2011. The Group's loan-to-deposit ratio was 106.1% as of June 30, 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, the Group might need to become more reliant upon non-deposit funding sources.

A rising interest rate environment could compound the risk of the Group not being able to access funds at attractive rates. These 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 could adversely affect the Group's business, financial position and/or results of operations. For example, in case of a liquidity crisis, wholesale funding becomes more difficult to obtain, which may adversely affect borrowing using certain capital market instruments including future flow transactions and eurobonds.

Similarly, the Group may experience difficulty accessing certain sources of international or wholesale funding if the credit rating of the Republic of Turkey is downgraded.

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 June 30, 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 the sovereign or members of the Group may increase the costs of 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 as 100%, 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 June 30, 2012, approximately 94.9% of the Group's foreign currency-denominated borrowing 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 June 30, 2012, 50.7% 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 28.4% of the Bank's total loan portfolio, and loans to SMEs (as defined by the BRSA SME Definition) accounting for 22.3%. 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 ratio of non-performing loans to total loan value for each of 2009, 2010 and 2011 was 5.1%, 3.4% and 2.1%, respectively, and 1.9% as of June 30, 2012. 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") (10.0%, 6.2% and 3.9% as of December 31, 2009, 2010 and 2011, respectively, and 3.5% as of June 30, 2012). For retail loans, the Group's NPL ratios were 6.3%, 4.7% and 2.5% as of December 31, 2009, 2010 and 2011, respectively, and 2.2% as of June 30, 2012. 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. In particular, although the unemployment rate in Turkey is currently declining, it could increase in the future, and rising levels of unemployment may reduce the ability of the Group's customers to meet their payment obligations and/or deposit funds with the Bank. 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. As of June 30, 2012, a significant portion of the Group's loans were 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 2009, 2010 and 2011 and the first half of 2012 accounting for 32.1%, 38.5%, 34.9% and 29.9%, respectively, of its total interest income (and 21.4%, 25.0%, 22.8% and 19.6%, 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. 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") is in effect in Turkey for standardized approaches starting from 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. Although an official timetable for the adoption of Basel III regulations in Turkey has not been announced by the BRSA, the regulations

are expected to be implemented between 2013 and 2019 in accordance with the transition period acknowledged by the Basel Committee. See “Turkish Regulatory Environment” for a description of the Turkish banking regulatory environment.

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 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.

The Central Bank has also stopped paying interest to banks on Central Bank reserve deposits and has introduced a regulation that stipulates that the interest rate on demand deposits may not exceed 0.25% annually.

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. In addition, 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. See also “Business of the Group – Legal Proceedings,” including a description therein of an on-going investigation by the Competition Board.

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 and Bahrain. 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.

Corporate Governance – Turkish corporate governance standards are not equivalent to those of certain other countries

The standards of corporate governance expected by Turkish law or regulation may not be as high (or cover the same areas) as those set out by the rules of other jurisdictions (such as the United States or the United Kingdom). For example, unlike in the United States and certain other markets, historically neither Turkish laws nor the rules of the CMB required that there be any independent directors on the board of directors of a Turkish company such as the Bank. On December 30, 2011, the Communiqué on the Determination and Implementation of Corporate Governance Principles Series: IV, No: 56, as amended (the “Corporate Governance Communiqué”) was published and entered into force, providing certain mandatory and non-mandatory principles applicable to all corporations listed on the ISE, including banks. The Corporate Governance Communiqué is in force for all listed companies except for banks, which will become subject to this regulation on December 30, 2012. Therefore, the provisions of the regulation are expected to become applicable to the Bank starting from the aforementioned date, and it will remain subject to existing corporate governance requirements under other Turkish laws and regulations (*i.e.*, those that apply to non-listed companies and banks). Listed banks will have to comply with all of the mandatory principles under the Corporate Governance Communiqué when these principles become applicable for them and, according to the regulation, any non-compliance with the non-mandatory principles in the Corporate Governance

Communiqué will have to be explained in the bank's annual Corporate Governance Principles Compliance Report, which is published as part of the bank's annual reports.

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 developed economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU or in other developed markets and any information that is published may only be presented in Turkish. In recent years, the Turkish banks have applied IAS and IFRS in accounting and reporting due to BRSA regulations other than provision requirements for loans to the extent that provision requirements differ from BRSA requirements. 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. Financial statements are 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). Nonetheless, investors who are unfamiliar with the Turkish banking system might not have the same level of access to relevant information as that of a similar bank in the EU, the United States or 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 the IFRS Financial Statements. Only the Bank's annual and half-yearly published financial statements are 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 "Summary of Significant Differences between IFRS and BRSA Accounting Principles and Reconciliation of Certain BRSA and IFRS Data"). 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.

BRSA Accounting - Turkish banking regulation is administered on the basis of BRSA accounts

The Bank's primary regulator, the BRSA, uses the BRSA Financial Statements to assess the Bank's and the Group's compliance with banking regulations and capital adequacy requirements. Therefore, the results of operations and financial condition of the Group's as reflected in the IFRS Financial Statements might not reflect the Group's business, results of operations or financial condition as used to determine the Group's performance under, and compliance with, Turkish regulations. In addition, the Group uses its BRSA Financial Statements to determine whether, and to what extent, it can undertake certain activities, such as paying dividends to shareholders. A summary of differences between IFRS and BRSA Accounting Principles and details of the reconciliation of certain BRSA and IFRS data are set out in "Summary of Significant Differences between IFRS and BRSA Accounting Principles and Reconciliation of Certain BRSA and IFRS Data."

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 is dependent upon its senior management and other personnel

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 Istanbul headquarters, is very high and requires the Group to re-assess continually 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 June 30, 2012, the Bank had 24,641 employees. Almost all of the Bank's 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 of two years in duration whereby a previous agreement came into effect in April 2010 and is due to be renegotiated after October 2012. 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. 2822 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 June 30, 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 89 years since its formation, Turkey has had 60 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 role in the past.

A general election was held on June 12, 2011 in which 24 political parties and independent candidates contested 550 seats in the Turkish parliament. The currently ruling Justice and Development Party (the “AKP”) received approximately 50% of the total votes, whereas the Republican People’s Party (the “CHP”) and Nationalist Movement Party (the “MHP”) received 26% and 13% of the total votes, respectively.

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, is subject to significant macro-economic risks and has been dependent upon the support of the IMF in times of economic crisis

As of June 30, 2012, approximately 81% 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 on the whole responded positively to this transformation, it has experienced severe macro-economic imbalances, including significant current account deficits, and a considerable level of unemployment and has frequently resorted to support from the International Monetary Fund (the “IMF”).

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 rebounding in 2010 (9.2%) and 2011 (8.5%). The growth in the Turkish economy has started to decline and GDP increased by only 3.1% in the first half of 2012 compared to the same period of the previous year. The ratio of net public debt to GDP decreased from 41.7% in 2005 to 22.4% in 2011. 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 3.2% for 2012, 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. Cooperation with the IMF will continue for the foreseeable future in relation to structural reform and other areas envisaged under the medium-term program. 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 recent 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). Most recently, 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. 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 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. It is unclear what impact these recent activities may have on Turkey and thus on 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 ("FATF") to seek to address Turkey's deficiencies in combating the financing of terrorism ("CFT"), Turkey has not made sufficient progress in implementing its action plan and, accordingly, certain strategic CFT deficiencies still remain. In particular, Turkey has not yet made sufficient progress in: (a) adequately criminalizing terrorist financing or (b) implementing an adequate legal framework for identifying and freezing terrorist assets. Given Turkey's continued lack of progress in these two areas, if Turkey does not take significant steps to remedy these deficiencies by October 2012, the FATF may 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), which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

EU Accession – Turkey might not accede to the European Union as intended

Turkey commenced negotiations on its accession to the EU on October 3, 2005. One of the main goals of the Turkish government is the accession of Turkey to the EU; however, Turkey's accession depends upon a number of economic and political factors relating to both Turkey and the EU. In December 2006, the EU decided to suspend the negotiations with Turkey on eight out of 35 negotiation topics. Although the shared objective of the negotiations is accession, the suspension is expected to delay Turkey's accession to the EU. Delays in Turkey's accession to the EU might have a negative effect on the Turkish economy, which may in turn adversely impact 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 Istanbul, 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% 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% and 10.5% in 2010 and 2011, respectively, and 8.9% for the 12 months ended June 30, 2012. Producer price inflation was 5.9%, 8.9% and 13.3% in 2009, 2010 and 2011, respectively, and 6.4% for the 12 months ended June 30, 2012. 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 high current account deficit may result in governmental efforts to decrease economic activity

In 2010, the Turkish current account deficit widened significantly to US\$46.6 billion from US\$13.4 billion in 2009, and then increased further to US\$77.1 billion in 2011, according to the Central Bank. This rapid acceleration has raised concerns regarding financial stability in Turkey, and the Central Bank, BRSA and Turkish Ministry of Finance have initiated coordinated measures 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 down the current account deficit by controlling the rate of loan growth. Unless there is a decline in credit growth, the Minister of Finance has stated that bank-specific actions might be implemented. As a result of these measures taken, the current account deficit declined from US\$77.1 billion in 2011 to US\$63 billion for the 12 months ended June 30, 2012. These measures are likely to reduce economic growth and might adversely affect the Group’s business, financial condition and/or results of operations.

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. 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 and result in an increase in Turkey’s current account deficit. In June 2012, according to TurkStat, year-on-year imports to Turkey decreased by 5.4%, which was due, in part, to tax increases in Turkey and currency fluctuations.

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.

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. Although until February 2001 it had been the standard policy of the Central Bank to devalue the Turkish Lira in line with the domestic inflation rate under the fixed exchange rate regime, the Central Bank has since adopted a floating exchange rate policy which

arguably resulted in increased volatility in the value of the Turkish Lira. As of June 30, 2012, the Turkish PPI increased by 6.4% on an annual basis while during the same period the Turkish Lira depreciated (in nominal terms) against the US Dollar by 11.4%, according to the Central Bank. According to the Central Bank, the CPI-based real effective exchange rate increased from 113.3 as of June 30, 2011 to 117.0 as of June 30, 2012, indicating a 3.2% real appreciation.

Although the Turkish Lira has a more stable outlook compared to the 1990s, the exchange rate remains volatile. 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 securities, making it highly dependent upon the continued credit quality of, and payment by, the Turkish government of its debts

Turkish banks have traditionally invested a large portion of their assets in securities issued by the Turkish government (rated BB (stable outlook) by Standard & Poor's, Ba1 (positive outlook) by Moody's and BB+ (stable outlook) by Fitch). As of June 30, 2012, 93.8% of the Group's total securities portfolio (23.1% of its total assets and equal to 200.0% of its shareholders' equity) was invested in securities issued by the Turkish government. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by the Turkish government in making payments on its securities or the possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government securities held in the Group's securities portfolio 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 Structure of the Notes

Subordination - Claims of Noteholders under the Notes will be subordinated and unsecured

On any distribution of the assets of the Bank on its dissolution, winding-up or liquidation (as further described in the definition of "Subordination Event" in Condition 3), and for so long as such Subordination Event subsists, the Bank's obligations under the Notes will rank subordinate in right of payment to the payment of all Senior Obligations and no amount will be paid under the Subordinated Notes until all such Senior Obligations have been paid in full. Unless the Bank has assets remaining after making all such payments, no payments will be made on the Notes. Consequently, although the Notes may pay a higher rate of interest than comparable notes that are not subordinated, there is a real risk that an investor in the Notes will lose all or some of its investment upon the occurrence of a Subordination Event.

No Limits on Senior or Pari Passu Obligations– There will be no limitation under the documents relating to the issuance of the Notes on the Bank's incurrence of Senior Obligations or Parity Obligations

There will be no restriction in the documents relating to the issuance of the Notes on the amount of Senior Obligations or Parity Obligations that the Bank may incur. The incurrence of any such obligations may reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Bank and may result in an investor in the Notes losing all or some of its investment.

Limited Remedies – Investors will have limited remedies under the Notes

A holder of a Note will only be able to accelerate payment of its principal amount, together with interest accrued to the date of repayment, on the occurrence of a Subordination Event or otherwise on the winding-up, dissolution or liquidation of the Bank as described in Condition 10 and then claim or prove in the winding-up, dissolution or liquidation. Noteholders may institute proceedings against the Bank as described in Condition 10 to enforce any obligation of the Bank under the Notes other than in respect of any payment obligation but will not have any other right of acceleration under the Notes, whether in respect of any default in payment or otherwise, and the only remedy of a Noteholder on any default in a payment on the Notes will be to institute proceedings for the Bank's winding-up, dissolution or liquidation as described in Condition 10 and to prove in the winding-up, dissolution or liquidation.

No other remedy will be available to Noteholders against the Bank, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Bank of any of its obligations or covenants under the Notes and

Noteholders will not be able to take any further or other action to enforce, claim or prove for any payment by the Bank in respect of the Notes.

Loss Absorption – The Notes may in the future become subject to write-down or other loss absorption mechanisms should Basel III be implemented in Turkey

The package of new capital and liquidity requirements reflected in Basel III sets out guidance from the Basel Committee on the eligibility criteria for Tier 2 capital instruments under Basel III. This guidance includes minimum requirements to ensure loss absorbency at the point of non-viability for internationally active banks (including write-down and conversion into equity of such instruments).

There is no certainty as to whether Basel III will be implemented by the BRSA in Turkey and, if so, when and in what form (including whether any such loss absorbency provisions would be introduced). Although an official timetable for the adoption of Basel III in Turkey has not been announced by the BRSA, if the BRSA follows the timetable prescribed by the Basel Committee, then the regulations for such adoption should be implemented between 2013 and 2019. Even if introduced, it is unclear whether any loss absorbency provisions would apply to capital instruments such as the Notes that are already in issue or whether certain grandfathering rules would apply.

The terms of the Notes will not contain any provisions in the nature of the proposed loss absorbency requirements under Basel III; *however*, if any such requirements are implemented retrospectively in Turkey so as to apply to the Notes, then either: (a) the Notes may become subject to loss absorption on a statutory basis at the point of the Bank's non-viability, which could result in Noteholders losing some or all of their investment, or (b) the Bank's ability to include the Notes in its capital calculations may be prohibited or limited. The implementation of any such loss absorbency or any suggestion thereof could also materially adversely affect the value of the Notes.

Risks Related to the Notes Generally

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 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 Notes will be 0%. From the fifth anniversary of the Issue Date, 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, subject to having obtained the prior approval of the BRSA, if, upon the occurrence: (a) of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8) or (b) any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after October 22, 2012, on the next Interest Payment Date the Bank would be required: (i) to pay an additional amount of Taxes (as defined in Condition 8) and (ii) to 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 beyond the prevailing applicable rates on October 22, 2012 and such requirement cannot be avoided by reasonable measures available to the Bank. 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 during any period in which the Bank may elect to redeem them, as the market value during this period generally will not rise substantially above the price at which they can be redeemed. This may similarly be true prior to any redemption period.

Redemption for Capital Disqualification Event - The Bank will have the right to redeem the Notes upon the occurrence of a Capital Disqualification Event

The Bank will have the right to redeem the Notes at their principal amount and accrued but unpaid interest upon the occurrence of a Capital Disqualification Event. 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 during any period in which the Bank may elect to redeem them, as the market value during this period generally will not rise substantially above the price at which they can be redeemed. This may similarly be true prior to any redemption period.

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

There is no active trading market for investments in the Notes. If investments in the 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 Notes to be listed on the Official List and to be admitted to trading on the 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 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 or the Bank. The ratings might not reflect the potential impact of all risks related to 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 majority of the Notes bind all Noteholders

The conditions of the 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 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 group of Noteholders that are contrary to the preferences of any particular Noteholder.

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

Other than registering the Notes with the CMB pursuant to Article 15(b) of Decree 32 and Articles 6 and 25 of the Communiqué as debt securities to be offered outside of Turkey, the Notes have not been and are not expected to be registered: (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 Notes (or beneficial interests therein) will be made pursuant to exemptions from the registration provisions of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the 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

As permitted by Condition 14, 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 organized under the laws of Turkey. All of the directors and 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

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 it 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 DTC, Euroclear and Clearstream, Luxembourg procedures

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

The Rule 144A Notes will be represented on issue by a Rule 144A Global Certificate that will be deposited with a nominee for DTC. Except in the circumstances described in the Agency Agreement, 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 Global Certificate. While the Rule 144A Notes are represented by the Rule 144A Global Certificate, investors will be able to trade their beneficial interests therein only through DTC.

While the Notes are represented by the Rule 144 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 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.

Exchange Rate Risks and 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 or currency unit (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 authorities with jurisdiction over the Investor's Currency 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 value of the interest payable on the Notes, (b) the Investor's Currency-equivalent value of the principal payable on the Notes and (c) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) 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.

OFAC Sanction Targets - 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 the sanctions list

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, OFAC regulations 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.”

U.S. Foreign Account Tax Compliance Withholding

Should the Notes be significantly modified after December 31, 2012, then (pursuant to Sections 1471 through 1474 of the Code or similar law implementing an intergovernmental approach thereto (“FATCA”)) the Bank and other financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after December 31, 2016 in respect of the Notes. In addition, withholding under FATCA may be triggered if the Bank creates and issues further notes after December 31, 2012 that are consolidated and form a single series with the outstanding Notes as permitted by Condition 14. The FATCA withholding tax may be triggered if either: (a) the Bank is a foreign financial institution (as defined in FATCA) (“FFI”) that must provide the U.S. Internal Revenue Service (“IRS”) or other applicable authority with certain information on its account holders (making the Bank a FATCA Compliant FFI (as defined in FATCA)) and (b)(i) an investor does not provide information sufficient for the relevant FATCA Compliant FFI that is making payment to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of such FFI, or (ii) any FFI through or to which payment on the Notes is made is not a FATCA Compliant FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If FATCA were to require that an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on (or with respect to) the Notes, then neither the Bank, any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of the Notes, including underwriting fees, distributor commissions, legal counsel fees, rating agency expenses and listing expenses. The estimated total expenses related to the admission of the Notes to trading on the Market are £4,425. The Bank will use the net proceeds from the issuance of the Notes for general corporate purposes, including paying the other expenses relating to the issuance of the Notes.

EXCHANGE RATES

The following table sets forth, for the years indicated, information concerning the annual average and year-end buying rates for US Dollars for the years 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⁾	Annual Average TL per US\$	Period End⁽²⁾	Period End TL per US\$
2012	1.7942	September 30, 2012	1.7847
2011	1.6710	December 31, 2011	1.8889
2010	1.4984	December 31, 2010	1.5376
2009	1.5468	December 31, 2009	1.4873
2008	1.2979	December 31, 2008	1.5218
2007	1.3013	December 31, 2007	1.1593
2006	1.4294	December 31, 2006	1.4056
2005	1.3410	December 31, 2005	1.3418

Source: Central Bank

- (1) Represents the yearly averages of the monthly averages of the TL/US\$ exchange rates for the relevant period, which monthly 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.
- (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 October 18, 2012 at 6:00 p.m. Turkish time, the Bloomberg FX page was showing the exchange rate as US\$1.00 = TL 1.7968. The Turkish Lira may depreciate or appreciate significantly in the future.

CAPITALIZATION OF THE GROUP

The following table sets forth the capitalization of the Group as of December 31, 2009, 2010 and 2011 and June 30, 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,			As of June 30,
	2009	2010	2011	2012
	<i>(TL thousands)</i>			
Capital stock; legal reserves, retained earnings and other equity accounts	10,845,198	13,397,736	15,568,580	17,574,667
Current period net income attributable to	2,497,629	2,939,156	2,271,539	1,633,028
Total shareholders' equity	13,342,827	16,336,892	17,840,119	19,207,695
Long-term debt ⁽¹⁾	10,533,540	8,493,842	13,625,792	13,849,231
Total capitalization	23,876,367	24,830,734	31,465,911	33,056,926

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

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

The following discussion and analysis of the consolidated financial position and results of operations of the Group covers the six months ended June 30, 2011 and 2012 and the financial years ended December 31, 2009, 2010 and 2011. Unless otherwise specified, the financial information presented in this discussion has been derived from the BRSA Financial Statements. This section should be read in conjunction with the BRSA Annual 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 Annual Financial Statements and the IFRS Financial Statements and details of the reconciliation of certain BRSA and IFRS data, see "Summary of Significant Differences Between IFRS and BRSA Accounting Principles and Reconciliation of Certain BRSA and IFRS Data."

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 June 30, 2012, 48 banks were operating in Turkey, 31 of which were deposit banks, 13 of which were investment and development banks and four of which were participation banks. Of the deposit banks, 16 were private foreign banks, 11 were private domestic banks, three were government-owned banks and one was under the supervision of the SDIF. As of June 30, 2012, the Bank had the largest nationwide branch and ATM network among private sector banks in Turkey, with 1,197 domestic branches, 17 international branches and 4,641 domestic ATMs (sources: Banks Association of Turkey and Interbank Card Center).

As of June 30, 2012, the Group's capital adequacy ratio was 14.4% (13.1% when calculated using Tier I capital only); *however*, such calculations would differ were Basel II then in effect. 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 21,839 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 27.9% and its loan-to-deposit ratio was 106.1%. The Group's net operating income was TL 3,361 million in 2009, TL 3,916 million in 2010, TL 3,088 million in 2011 and TL 2,236 million for the six months ended June 30, 2012. The Group's net period profit from continuing operations was TL 2,752 million in 2009, TL 3,232 million in 2010, TL 2,389 million in 2011 and TL 1,789 million for the six months ended June 30, 2012.

As of June 30, 2012, the Bank was the largest bank in Turkey in terms of total assets and total loans and had the largest market shares of total deposits, TL-denominated deposits, demand deposits, total loans, TL-denominated loans, consumer loans, number of debit cards and volume of debit cards transactions among private sector banks (sources: BRSA, Banks Association of Turkey 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 until 2009 had grown with a compound annual growth rate of real GDP of 4.6% between 2000 and 2008 according to TurkStat. Real GDP growth slowed to 0.7% in 2008 and declined by 4.8% in 2009, but has significantly rebounded in 2010 (9.2%) and 2011 (8.5%); *however*, real GDP growth slowed to 3.1% in the first half of 2012 compared to the first half of 2011. The Bank's management expects GDP growth to be lower in 2012.

As of June 30, 2012, the Group had total assets of TL 189,217 million, an increase of 2.9% from TL 183,936 million as of December 31, 2011, itself a 25.5% increase from TL 150,811 million as of December 31, 2010 (a 46.8% increase from TL 128,916 million as of December 31, 2009). As of June 30, 2012, the Group had total deposits of TL 99,881 million, a 1.1% increase from TL 98,832 million as of December 31, 2011, itself a 12.9% increase from TL 88,477 million as of December 31, 2010, a further increase of 38.6% from TL 72,055 million as of December 31, 2009. 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 48,335 million as of December 31, 2009 to TL 64,232 million as of December 31, 2010, TL 91,621 million as of December 31, 2011 and TL 98,222 million as of June 30, 2012, with a compound annual growth rate of 32.8% for the period between December 31, 2009 and June 30, 2012. The Bank's policy is to provide fully (at a rate of 100%) for its non-performing loan portfolio; *however*, on September 20, 2012 the Bank announced that its board of directors authorized the Bank's management to change this policy to one that only need comply with the provisioning levels required by law. 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 ratios of NPLs to total loan value were 1.9%, 2.1%, 3.6% and 5.4% as of June 30, 2012 and December 31, 2011, 2010 and 2009, respectively.

As of June 30, 2012, 36.2% of the Group's total loans and 42.9% of the Group's total deposits were denominated in foreign currencies, principally US Dollars and Euros.

Recent Developments

The material actions taken by the Bank since June 30, 2012 are described below:

As announced by the Bank on September 20, 2012, the Bank's board of directors authorized the Bank's management to change the Bank's policy of providing fully (at a rate of 100%) for its non-performing loan portfolio to one that only need comply with the provisioning levels required by law. The Bank's management is analyzing what changes to make as a result of this authorization, including when considered in the context of each borrower's collateral and NPL category; *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 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"). Should the Bank determine to follow legal requirements, then (as specific provisions result in a booking of an expense) such a reduction in provisions would result in a corresponding increase in the Bank's capital levels. In addition, any reversal or release of provisions recognized in previous periods that would be in excess of then-applicable provisioning levels may have an effect on the Bank's results of operations for the period in which any such reversals or releases are recognized.

As announced by the Bank on September 28, 2012, the Bank has set aside additional provisions of TL 317.4 million in connection with its potential actuarial liability resulting from a recent change in pension law. Provisional Article 39, which was added to Turkey's Social Security and General Health Insurance Law (Law No. 5510), decrees that pension payments for certain disability, old age and death benefits that are currently calculated according to an indexed system should be recalculated according to this new article starting on January 1, 2013. The Bank's management has determined that such new calculation methodology should apply to one of its pension funds, with the above-noted provisions being the amount estimated to be the increased total actuarial liability resulting from this change in the calculation methodology. The final amount will be determined after an actuarial report is prepared by an authorized actuary, which will require a detailed analysis of the impact that this change will have on each of the pension fund's beneficiaries.

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

The Group's financial condition and/or results of operations 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 "Risk Factors." The following describes the most significant of such factors since 2009.

Turkish Economy

The majority of the Group's operations are in Turkey, and its business and results of operations are significantly affected by general economic conditions in Turkey. As of June 30, 2012, 81% 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 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 the NPL ratio displayed a declining trend both for Turkish financial institutions as a whole and for the Group's operations in particular.

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:

	For the six months ended June 30, 2012⁽¹⁾	2011	2010	2009	2008	2007
Nominal GDP at current prices (TL millions)	677,626	1,298,062	1,098,799	952,559	950,534	843,178
Real GDP growth.....	3.1%	8.5%	9.2%	(4.8)%	0.7%	4.7%
Deficit/surplus of consolidated budget /GDP	NA ⁽⁵⁾	(1.3)%	(3.6)%	(5.5)%	(1.8)%	(1.6)%
Inflation ⁽²⁾	8.87%	10.45%	6.40%	6.53%	10.06%	8.39%
Central Bank overnight TL interest rate ⁽³⁾	5.00%	5.00%	1.50%	6.50%	15.00%	15.75%
Refinancing rate of the Central Bank	11.5%	12.5%	9.0%	9.0%	17.5%	20.0%
Nominal appreciation (depreciation) of the Turkish Lira against the US Dollar ⁽⁴⁾	(11.4)%	(23.3)%	(2.7)%	0.4%	(29.8)%	17.6%
CPI-based real effective exchange rate appreciation (depreciation) (2003=100)	3.2%	(12.9)%	7.6%	1.7%	(12.7)%	17.5%
Total gross gold and international currency reserves (US Dollars, millions).....	107,493 ⁽⁶⁾	88,218	85,960	74,810	73,346	74,027

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⁾ Real GDP growth, deficit/surplus of consolidated budget, inflation, nominal depreciation of the Turkish Lira against the US Dollar and real effective exchange rate are presented on basis of the six months ended June 30, 2012 compared against the six months ended June 30, 2011.

⁽²⁾ Annual percentage change of Consumer Price Index.

⁽³⁾ At the meeting of the Monetary Policy Committee of the Central Bank on May 18, 2010, the Central Bank established the one-week repo auction rate as the new policy rate. Such rate was 6.5% as of December 31, 2010, 5.75% as of December 31, 2011 and 5.75% as of June 30, 2012.

⁽⁴⁾ Central Bank buying rates.

⁽⁵⁾ Information not available as of the date of this Offering Circular.

⁽⁶⁾ As of September 7, 2012.

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, in line with the Turkish banking sector. Although the impact of decreasing interest rates of assets has had a more direct and material impact on the Group's profitability due to competitive pressures from both the public and private sector banks to raise or maintain interest

rates on deposits in order to attract and retain customers, the Group utilized alternative sources for raising funds with lower costs compared to deposits, thereby mitigating the adverse competitive pressure arising from retaining its customer base.

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, as occurred in 2009, 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 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 but ultimately are expected to result in increased interest income on additional assets included in this portfolio.

As of June 30, 2012 and December 31, 2011, 2010 and 2009, approximately 43.4%, 43.7%, 41.4% and 48.0% of the Bank's loans and 47.5%, 46.8%, 41.3% and 45.3% 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 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 7,499 million, or 62.1% of total interest income, in 2011) and (b) interest earned from its securities portfolio (TL 4,221 million, or 34.9% of total interest income, in 2011). 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 17.50% as of December 31, 2006 to 15.0% as of December 31, 2008, but the rate declined significantly in 2009, to 6.50% as of December 31, 2009, and in 2010, 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 December 2011, the rate increased to 5.0%, where it remains. 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 5, 2011, the Central Bank cut the rate to 5.75%, where it remains.

In 2009, high net interest margins principally resulted from the ability to re-price interest-bearing liabilities more quickly than interest-earning assets were re-priced as interest rates declined throughout the year. In 2010, net interest margins and spreads in Turkish Lira and foreign currencies decreased as compared to 2009 due to assets being re-priced with a time-lag compared to liabilities. The overnight TL borrowing rate announced by the Central Bank declined from 6.5% in November 2009 to 1.5% in December 2010 and then increased to 5.0% in December 2011, where it remains. The decrease in margins since 2009 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) and the

tightening of monetary policy in Turkey over the period. 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 competitive conditions and funding costs.

Central Bank Reserve Requirements

In September 2010, the Central Bank increased reserve requirements and decided not to pay interest on the reserves held by it, which has had, and will continue to have, a negative impact on the net interest income of the Bank. On November 12, 2010, the Central Bank again 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, where they remain. See “Turkish Regulatory Environment – Liquidity and Reserve Requirements.”

As a result of these recent reserve requirements from the Central Bank, the Bank’s weighted average reserve requirement ratio for TL deposits has become 10.8%. Accordingly, such reserve rate increases have had a material adverse effect on the Bank’s profitability as the Bank has been only partly able to pass on such increases in its overall costs of funding to customers due to the effect of competition. 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 (for example, banks may hold gold reserves up to 30% to maintain Turkish Lira reserve requirements). 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”).

Recently revised Central Bank regulations permit Turkish banks to maintain 60% of their Turkish Lira reserve requirements in foreign currencies and 30% of their Turkish Lira reserve requirements in gold. 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 significant percentage of the Group’s assets and liabilities are denominated in foreign currencies, particularly in US Dollars and Euros. As of June 30, 2012, 33.8% of the Group’s total assets and 36.6% of the Group’s total liabilities were denominated in foreign currencies, principally US Dollars and Euro.

While the Group monitors its position in foreign currencies (which is 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 such 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 2009 and 2010, the Group recorded net foreign exchange losses of TL 357 million and TL 312 million, respectively, and for 2011 and the six months ended June 30, 2012, foreign exchange gains of TL 17 million and TL 310 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 45,360 million as of June 30, 2012. Of this amount, TL 11,874 million, or 26.2%, was classified as held to maturity and TL 33,486 million, or 73.8%, was classified as available for sale. The Group also had a trading securities portfolio amounting to TL 1,185 million as of June 30, 2012. Interest income derived from the Group's trading and investment securities amounted to TL 2,175 million for the first six months of 2012, accounting for 29.9% 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 from 26.5% of the Group's total assets as of December 31, 2008 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 24.6% of total assets as of June 30, 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 have declined in 2011 and the first half of 2012, which is likely to lead 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 June 30, 2012, the Bank, with its 1,197 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 76 cities out of the country's 81, the Bank is the leading private sector bank in terms of the number of branches. Unlike 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 opened 13 new domestic branches in the six months ended June 30, 2012. The Bank currently plans to open additional branches in 2012 and 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 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 (the “*Regulation on Provisions and Classification of Loans and Receivables*”). The Bank’s policy is to provide fully (at a rate of 100%) for its non-performing loan portfolio; *however*, on September 20, 2012 the Bank announced that its board of directors authorized the Bank’s management to change this policy to one that only need comply with the provisioning levels required by law; *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 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*”). The Bank’s management is analyzing what changes to make as a result of this authorization, including when considered in the context of each borrower’s collateral and NPL category. Should the Bank determine to follow legal requirements, then (as specific provisions result in a booking of an expense) such a reduction in provisions would result in a corresponding increase in the Bank’s capital levels. In addition, any reversal or release of provisions recognized in previous periods that would be in excess of then-applicable provisioning levels may have an effect on the Bank’s results of operations for the period in which any such reversals or releases are recognized.

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, 2011 BRSA Annual 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 accounts for approximately 90% of the value of loans, deposits and securities included on the Group’s BRSA consolidated balance sheet for each of the periods under review.

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 BRSA Annual Financial Statements. The preparation of these financial statements requires management to make estimates and assumptions on some events that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. On an on-going basis, management evaluates its estimates and judgments, including those related to allowance for contingencies, litigation and arbitration. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. 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 “Summary of Significant Differences Between IFRS and BRSA Accounting Principles

and Reconciliation of Certain BRSA and IFRS Data.” 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 regulation on the “Communiqué Related to the Preparation of Consolidated Financial Statements of Banks,” published in the Official Gazette dated November 8, 2006 Nr. 26340, was amended by the “Communiqué on Changing the Communiqué Related to the Preparation of Consolidated Financial Statements of Banks,” which was published in the Official Gazette dated January 23, 2011 Nr. 27824. Within the framework of this amending regulation, the Bank’s subsidiaries Camiș Menkul Değerler A.Ş., İş Factoring Finansman Hizmetleri A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., İş Portföy Yönetimi A.Ş., İş Yatırım Ortaklığı A.Ş., Maxis Securities Ltd., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., TSKB Yatırım Ortaklığı A.Ş. and Yatırım Finansman Menkul Değerler A.Ş., which are qualified as credit institutions or financial institutions, whose assets do not exceed one percent of the Bank’s total assets or whose share totals do not exceed five percent of the Bank’s total assets and that were not consolidated prior to December 31, 2009, have been consolidated since December 31, 2010. In addition, Efes Varlık Yönetim A.Ş. and Is Invest Gulf Ltd., which commenced their operations in February and July 2011 respectively, and İşbank Russia, which was acquired in April 2011, have also been consolidated since such time. As of the current period, there are no subsidiaries qualified as credit institutions or financial institutions excluded from consolidation.

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 the counterparty, or the capital instrument transactions of the counterparty. According to the Bank’s management’s purpose of holding the investment, 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 initially presented in the balance sheet, and thereafter subject to valuation at their fair values. In cases where values that form the basis for the fair value do not exist in an active market, it is considered that the fair value is not reliably determinable 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 Turkey’s Uniform Code of Accounts (the “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 greater than the amortized cost, the positive difference is booked under the “Gains on Securities Trading” account. If the fair value is less than the amortized cost, then the negative difference is booked under the “Losses on Securities Trading” account. Any profit or loss resulting from the disposal of these 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 originated by the Group, held-to-maturity investments (described below) and those classified as “financial assets at fair value through profit and loss” (described above). 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 value calculated using the internal rate of return method is reflected in the income statement. If an asset’s price is not available in an active market, then it is considered that fair value cannot be reliably determined and the amortized value calculated using the internal rate of return method is taken into account as the fair value. Unrealized gains and loss arising from the changes in fair values of the financial assets available for sale are not recognized in the income statement until the corresponding values are realized through disposal, sale, redemption or incurring loss, rather they are recognized in the “Marketable Securities Value Increase Fund” 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.

Held to Maturity Investments. Held-to-maturity investments are non-derivative financial assets (other than loans and receivables originated by the Group) for which: (a) there is an intention of holding to maturity, (b) there exists the relevant conditions for the fulfilment of such intention, including the funding ability, and (c) for which there are fixed or determinable payments with fixed maturity. These financial assets, which are initially recorded at their fair values including transaction costs, are subject to valuation at their discounted cost value, as calculated using the internal rate of return method less any provision for any impairment. Interest income from held-to-maturity investments is recognized in the income statement as interest income.

Any sale or reclassification of a more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and put restrictions on the Group for classifying investment securities as held-to-maturity for the current and the following two financial years. There has been no such tainting in the held-to-maturity portfolio during 2010, 2011 or 2012.

Loans and Receivables. Loans and receivables are financial assets that are generated by providing funds, goods or services to the debtor, which assets are not quoted in an active market. 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.

Foreign currency-indexed consumer and corporate loans are valued in Turkish Lira at the exchange rates prevailing at the opening date and recorded under the Turkish currency accounts. 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 objective evidence that those assets have suffered an impairment loss. If such evidence 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 objective evidence 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 the 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 book value of an investment and the present value of the estimated future cash flows thereof as discounted using the original interest rate 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 will be 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. The Bank’s policy is to provide fully (at a rate of 100%) for its non-performing loan portfolio; *however*, on September 20, 2012 the Bank announced that its board of directors authorized the Bank’s management to change this policy to one that only need comply with the provisioning levels required by law; *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 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”). The Bank’s management is analyzing what changes to make as a result of this authorization, including reducing its provisions. 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.

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 Personnel Supplementary Pension Fund, of which each 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, 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, those 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 three

years after the release date of the related article without any need for further operation; *however*, the three-year transfer period can be prolonged for up to two years by a decision of the Turkish Cabinet (the two year period was extended to four years by the Law “Emendating Social Security and General Health Insurance Act,” which was published in the Official Gazette dated March 8, 2012 and numbered 28227). The 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.

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, 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 contributors, those 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 current 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 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.

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.

Audit Qualification

The Group’s audit reports based upon both IFRS and BRSA principles for 2009, 2010 and 2011 and the review report based upon BRSA principles for the six month period ended June 30, 2012 include a qualification about free reserves considering the potential circumstances that may arise from any changes in the Turkish economy or market conditions. The Group may have similar qualifications in the future.

The audit reports for the consolidated financial statements prepared in accordance with BRSA Principles for 2009, 2010 and 2011 include: (a) a qualification related to the adjustments that may be necessary in respect of a free 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 prior periods, (b) a qualification related to the adjustments that may be necessary in respect of a free 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, and (c) a qualification related to the adjustments that may be necessary in respect of a free provision as of December 31, 2009 amounting to TL 950 million allocated by the Group’s management, of which TL 130 million has been charged to the 2009 income statement as an expense, respectively. The review report for the consolidated interim financial statements for the six month period ended as of June 30, 2012 prepared in accordance with BRSA Principles

also include a free provision amounting to TL 1,000 million, of which TL 50 million has been charged to the June 30, 2012 income statement as an expense.

The audit reports for the consolidated financial statements prepared in accordance with IFRS for 2009, 2010 and 2011 include: (a) a qualification related to the adjustments that may be necessary in respect of a free provision as of December 31, 2011 amounting to TL 805 million allocated by the Group's management, which had been recognized as an expense in prior periods, (b) a qualification related to the adjustments that may be necessary in respect of a free provision as of December 31, 2010 amounting to TL 805 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 adjustments that may be necessary in respect of a free provision as of December 31, 2009 amounting to TL 805 million allocated by the Group's management, of which TL 130 million has been charged to the 2009 income statement as an expense.

With respect to the consolidated financial statements prepared in accordance with BRSA principles, if the Group had not established such provisions, its net profit before taxation would have been higher by TL 50 million for the six month period ended as of June 30, 2012 (see "Appendix – Financial Statements"). In addition, such provisions 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.

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 six month period ended)	As of (or for the year ended) December 31,		
	June 30, 2012	2009	2010	2011
Net interest margin ⁽¹⁾⁽²⁾⁽⁸⁾	4.0%	5.6%	4.3%	3.7%
Cost-to-income ratio ⁽³⁾	42.2%	35.3%	42.0%	48.5%
Free capital ratio ⁽⁴⁾	7.6%	7.3%	8.0%	7.0%
Tier I capital adequacy ratio ⁽⁵⁾	13.1%	17.5%	16.3%	13.2%
Total capital adequacy ratio ⁽⁶⁾	14.4%	18.1%	17.6%	14.1%
Allowance for possible loan losses to non- performing loans.....	100.0%	100.0%	100.0%	100.0%
Return on average total assets ⁽¹⁾⁽⁸⁾	1.7%	2.1%	2.1%	1.3%
Return on average shareholders' equity ⁽¹⁾⁽⁷⁾⁽⁸⁾	17.6%	21.1%	20.2%	13.2%

(1) Calculated on quarter-end 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. Interest income from the Central Bank has been excluded from net interest income.

(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 expenses and total operating income are net of 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" capital adequacy 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 would differ were Basel II then in effect. "Capital Adequacy" below.

(6) The total 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 would differ were Basel II then in effect. See "Capital Adequacy" below.

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

(8) For the six months ended June 30, 2012, presented on an annualized basis.

Analysis of Results of Operations for the six months ended June 30, 2012 and 2011 and the years ended December 31, 2011, 2010 and 2009

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

<i>Consolidated Income Statement Data</i>	For the six months ended				
	2012	2011	2011	2010	2009
	<i>(TL thousands, except where indicated)</i>				
Interest Income	7,262,846	5,581,593	12,081,352	10,850,750	11,370,516
Interest Income on Loans	4,878,553	3,359,160	7,498,817	6,180,827	7,042,088
Interest Received from Reserve Deposits	—	—	—	—	180,758
Interest Received from Banks	104,208	104,572	194,132	347,848	240,221
Interest Received from Money Market Placements	6,394	605	5,176	7,954	101,806
Interest Received from Marketable Securities Portfolio	2,174,913	2,041,680	4,220,638	4,178,647	3,644,342
Financial Assets Held for Trading	54,993	21,994	63,911	76,977	131,466
Financial Assets at Fair Value Through Profit and Loss	—	—	—	—	—
Financial Assets Available for-Sale	1,259,425	1,176,894	2,392,929	2,411,536	2,476,046
Held to Maturity Investments	860,495	842,792	1,763,798	1,690,134	1,036,830
Finance Lease Income	50,613	48,478	102,550	84,080	103,441
Other Interest Income	48,165	27,098	60,039	51,394	57,860
Interest Expense	4,134,244	2,993,522	6,664,356	5,440,180	5,630,372
Interest on Deposits	2,777,901	2,338,085	4,931,769	4,174,618	4,491,236
Interest on Funds Borrowed	179,863	163,305	373,450	625,306	767,418
Interest on Money Market Funds	941,639	415,596	1,109,917	623,945	362,312
Interest on Securities Issued	194,574	64,520	209,706	5,722	—
Other Interest Expense	40,267	12,016	39,514	10,589	9,406
Net Interest Income/Expense	3,128,602	2,588,071	5,416,996	5,410,570	5,740,144
Net Fees and Commissions Income/Expense	592,303	531,250	1,102,726	997,891	976,898
Fees and Commissions Received	988,926	844,560	1,788,674	1,509,200	1,469,370
Non-cash Loans	91,913	63,178	141,504	123,430	114,905
Other	897,013	781,382	1,647,170	1,385,770	1,354,465
Fees and Commissions Paid	396,623	313,310	685,948	511,309	492,472
Non-cash Loans	4,713	3,120	6,359	5,232	3,654
Other	391,910	310,190	679,589	506,077	488,818
Dividend Income	204,528	171,988	171,477	45,785	166,338
Trading Income (net)	487,624	144,183	446,913	292,912	557,041
Gains/Losses on Securities Trading	288,578	33,859	132,031	656,230	520,537
Derivative Financial Transactions Gains/Losses	(110,554)	377,159	314,865	(51,340)	393,497
Foreign Exchange Gains/Losses	309,600	(266,835)	17	(311,978)	(356,993)
Other Operating Income	2,170,340	1,907,474	4,060,685	4,026,561	3,497,387
Total Operating Income / Expense	6,583,397	5,342,966	11,198,797	10,773,719	10,937,808
Provision for Loans and Other Receivables	901,552	669,307	1,494,935	(1,185,911)	(2,363,565)
Other Operating Expenses	3,445,622	3,151,036	6,615,795	5,671,987	5,213,259
Net Operating Income	2,236,223	1,522,623	3,088,067	3,915,821	3,360,984
Profit/Loss From Associates Using the Equity Method	8,132	4,002	9,842	4,806	6,525
Profit/Loss On Continuing Operations Before Tax	2,244,355	1,526,625	3,097,909	3,920,627	3,367,509
Tax Provision For Continuing Operations	455,619	324,129	708,541	688,933	615,205
Current Tax Provision	550,364	105,266	395,096	897,266	923,537
Deferred Tax Provision	(94,745)	218,863	313,445	(208,333)	(308,332)
Net Period Profit/Loss From Continuing Operations	1,788,736	1,202,496	2,389,368	3,231,694	2,752,304
Group's profit/loss	1,633,028	1,129,061	2,271,539	2,939,156	2,497,629
Minority shares	155,708	73,435	117,829	292,538	254,675
Earnings Per Share ⁽¹⁾	0.014515514	0.010035897	0.020191054	0.026125309	0.022200703

⁽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 six months ended June 30, 2012 and 2011

Interest Income

The Group's interest income increased by 30.1%, or TL 1,681 million, from TL 5,582 million in the six months ended June 30, 2011 to TL 7,263 million in the six months ended June 30, 2012. This increase was largely driven by a 45.2% 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 the six months ended June 30, 2012, interest income from loans totaled TL 4,879 million (67.2% of total interest income) and interest from securities totaled TL 2,175 million (29.9% of total interest income), compared to TL 3,359 million (60.2%) and TL 2,042

million (36.6%), respectively, in the six months ended June 30, 2011. The increase in interest income on loans was partially offset by an increase in the Bank's volume of loans during the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

With respect to interest on the securities portfolio, the average balance in the six months ended June 30, 2012 decreased to TL 41,316 million as compared to TL 43,541 million in the six months ended June 30, 2011 and the average interest rates on securities held increased from 8.36% in the six month period ended June 30, 2011 to 9.15% in the six months ended June 30, 2012.

Interest Expense

The Group's interest expense increased by 38.1% from TL 2,994 million in the six months ended June 30, 2011 to TL 4,134 million in the six months ended June 30, 2012. This increase was primarily due to a 126.6% year-on-year increase in interest expense on repo funds borrowed, which was utilized more in the past year due to its lower cost profile compared to deposits, and an 18.8% increase in interest expense on deposits. As of June 30, 2012, the Group had TL 19,557 million in funding through repos and TL 99,881 million in deposits, a repo to deposit ratio of 19.6% (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 20.9% from TL 2,588 million in the six months ended June 30, 2011 to TL 3,129 million in the six months ended June 30, 2012. The Bank's net interest margin in the six months ended June 30, 2012 was 4.0% as compared to 3.8% in the six months ended June 30, 2011. These increases were primarily due to higher spreads and a decrease in reserve requirement ratios.

Net Fees and Commission Income

The Group's net fees and commission income increased by 11.5% from TL 531 million in the six months ended June 30, 2011 to TL 592 million in the six months ended June 30, 2012. This increase was largely driven by lending-related fees and commissions from the credit card business.

Dividend Income

The Group's dividend income increased by 18.9% from TL 172 million in the six months ended June 30, 2011 to TL 205 million in the six months ended June 30, 2012. The increase was primarily due to dividend income from Camiř 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 238.2% from TL 144 million in the six months ended June 30, 2011 to TL 488 million in the six months ended June 30, 2012. This increase was primarily driven by securities trading and foreign exchange income.

Other Operating Income

The Group's other operating income increased by 13.8% from TL 1,907 million in the six months ended June 30, 2011 to TL 2,170 million in the six months ended June 30, 2012. This increase 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 Group's other operational income reached TL 1,498 million and TL 1,199 million in the six months ended June 30, 2012 and 2011, respectively.

During the six months ended June 30, 2012, the Group collected approximately TL 363 million, or 17.2%, of its NPLs as of December 31, 2011, as compared to TL 448 million, or 18.2%, of its NPLs as of December 31, 2010 during the six months ended June 30, 2011.

Provisioning for Loans and other Receivables

The Group's provisioning for loans and other receivables increased by 34.7% from TL 669 million in the six months ended June 30, 2011 to TL 902 million in the six months ended June 30, 2012. This increase was principally attributable to a 40.1% increase in specific loan loss provisions and TL 50 million of free provisions set aside in the most recent period. The NPL ratio decreased to 1.9% as of June 30, 2012 as compared to 2.7% as of June 30, 2011. Furthermore, the total value of new NPLs increased from TL 339 million in the first six months of 2011 to TL 414 million in the first six months of 2012.

The following table shows the Group's provisioning for loans and other receivables as of June 30, 2012 and June 30, 2011.

	As of June 30,	
	2012	2011
	<i>(TL thousands)</i>	
Specific Provisions for Loans and Other Receivables	381,372	272,162
Group III Loans and Receivables ⁽¹⁾	311,561	240,042
Group IV Loans and Receivables ⁽¹⁾	16,643	9,443
Group V Loans and Receivables ⁽¹⁾	53,168	22,677
General Loan Provision Expenses	207,228	228,192
Provision Expenses for Potential Risks	50,000	
Marketable Securities Impairment Losses	4,407	3,585
Financial Assets at Fair Value through Profit and Loss.....	3,900	1,149
Financial Assets Available for Sale.....	507	2,436
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investment	-	21,269
Investment in Associates.....	-	162
Subsidiaries.....	-	21,107
Jointly Controlled Entities.....	-	-
Held to Maturity Investments.....	-	-
Other	258,545	144,099
Total	901,552	669,307

⁽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 9.3% from TL 3,151 million in the six months ended June 30, 2011 to TL 3,446 million in the six months ended June 30, 2012. This increase was not attributable to a specific expense item. Expenses related to operations of the Group's insurance/reinsurance companies constituted TL 1,155 million and TL 1,076 million of the Group's other operating expenses in the six months ended June 30, 2012 and 2011, respectively.

Net Profit

The Group's net profit increased by 48.8% from TL 1,202 million in the six months ended June 30, 2011 to TL 1,789 million in the six months ended June 30, 2012. This increase in net profit was primarily due to a 20.9% increase in net interest income and a 238.2% increase in trading gains. All other remaining revenue items also contributed to the 23.2% growth in operating income, which more than offset the 9.3% growth in operating expenses and 34.7% growth in total provision charges.

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

Interest Income

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

The Group's interest income is primarily derived from interest on loans and interest on securities. For 2011, interest income from loans of TL 7,499 million constituted 62.1% of total interest income and interest from securities of TL 4,221

million constituted 34.9% of total interest income, compared to 57.0% and 38.5%, respectively, in the year ended December 31, 2010. With respect to interest income derived from the Bank's loan portfolio, the decrease in Central Bank interest rates led to similar decreases in the Bank's average interest rates on loans to customers, which decreased from 10.39% for 2010 to 8.87% for 2011. This decrease was partially offset by an increase in the Bank's average volume of loans during 2011 as compared to 2010 from TL 54,933 million to TL 77,499 million (a 41.1% increase) as a result of growth mainly in housing, general purpose and corporate loans, due in part to general improvement in the Turkish economy during this period and also to the Bank's strategy of targeting 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 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 "—Net Interest Income" and "—Net 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 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 December 31, 2011 and December 31, 2010.

	As of December 31,	
	2011	2010
	<i>(TL thousands)</i>	
Specific Provisions for Loans and Other Receivables	638,965	793,747
Group III Loans and Receivables ⁽¹⁾	474,730	592,672
Group IV Loans and Receivables ⁽¹⁾	15,692	33,590
Group V Loans and Receivables ⁽¹⁾	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 Held to Maturity Investments	21,177	-
Investment in Associates	-	-
Subsidiaries.....	21,177	-
Jointly Controlled Entities	-	-
Held to Maturity Investments	-	-
Other	237,017	142,482
Total	1,494,935	1,185,911

⁽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

The Group's net profit 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 0.8% growth in operating income being offset by the 16.6% increase in 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.

Results of Operations for the years ended December 31, 2010 and 2009

Interest Income

The Group's interest income decreased by 4.6% from TL 11,371 million in the year ended December 31, 2009 to TL 10,851 million in the year ended December 31, 2010. This decrease was largely driven by the general decline in the interest rate environment in Turkey, which began in the last quarter of 2008. In particular, in response to the global economic crisis, the Central Bank decreased interest rates from 15.00% to 6.50% during 2009, and the full year's impact of this decrease was reflected in the 2010 interest income results. In addition to this, since the last quarter of 2010, interest income was negatively impacted by the increased reserve requirements that were imposed by the Central Bank, as a result of which the Bank was required to increase the amount of its reserves held in interest-free accounts with the Central Bank and consequently led to a reduction of the proportion of its assets available to engage in customer credit activity.

The Group's interest income is primarily derived from interest on loans and interest on securities. For 2010, interest income from loans of TL 6,181 million constituted 57.0% of total interest income and interest from securities of TL 4,179 million constituted 38.5% of total interest income, compared to 61.9% and 32.0%, respectively, in the year ended December 31, 2009. With respect to interest income derived from the Group's loan portfolio, the decrease in Central Bank interest rates noted above led to similar decreases in the Bank's average interest rates on loans to customers, which decreased from 14.25% for 2009 to 10.39% for 2010. This decrease was partially offset by an increase in the Bank's average volume of loans during 2010 as compared to 2009 from TL 46,546 million to TL 54,933 million (an 18.0% 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 to the Bank's strategy of targeting customers in these segments of the economy. With respect to interest on the Bank's securities portfolio, the average balance for 2010 increased to TL 42,982 million (compared to TL 30,336 million for 2009). This increase was partially offset by lower average interest rates on securities held.

Interest Expense

The Group's interest expense decreased by 3.4% from TL 5,630 million in the year ended December 31, 2009 to TL 5,440 million in the year ended December 31, 2010. This decrease was in large part due to the decline in the interest rates paid on both Turkish Lira- and foreign currency-denominated deposits. This decline was partially offset by a 24.7% increase in the average volume of deposits. This decline was further offset by competitive pressures from both private sector and public sector banks to raise interest rates on deposits in order to attract and retain customers, as the Turkish economy began to recover towards the end of the period under review. However, this competition-driven pressure decreased somewhat during the last six months of 2010 primarily due to the increased reserve requirements established by the Central Bank in the last quarter of 2010 and tightening interest rate margins, resulting in a decrease in the average interest rate on deposits from 7.44% in the year ended December 31, 2009 to 5.57% in the year ended December 31, 2010.

Net Interest Income

The Group's net interest income decreased by 5.7% from TL 5,740 million in the year ended December 31, 2009 to TL 5,411 million in the year ended December 31, 2010. The Bank's net interest margin in the year ended December 31, 2010 was 4.3% as compared to 5.6% in the year ended December 31, 2009. These decreases were primarily due to a 4.6% decrease in interest income, which was slightly offset by a 3.4% decrease in interest expense, each as described above.

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 2010 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, 2010 as compared to the year ended December 31, 2009.

Net Fees and Commission Income

The Group's net fees and commission income increased by 2.1% from TL 977 million in the year ended December 31, 2009 to TL 998 million in the year ended December 31, 2010. This increase resulted from increased fees generated from non-cash loans, mutual funds and brokerage services. This growth was largely offset by declines in fees and

commissions related to the Bank's credit card business, which was primarily due to declining interest rates and was partially offset by an increase in the volume of credit card transactions. Since merchant fees are generally linked to prevailing market interest rates, the decline in prevailing market interest rates negatively impacted these fees and commissions in 2010.

Dividend Income

The Group's dividend income decreased by 72.5% from TL 166 million in the year ended December 31, 2009 to TL 46 million in the year ended December 31, 2010. This decrease was primarily due to the lack of dividend income from participations such as Nemtaş Nemrut Liman İşl. A.Ş., and Türkiye Şişe ve Cam Fabrikaları A.Ş. ("Şişecam Group"), which contributed to dividend income through the issuances of bonus shares in the first half of 2009.

Trading Income/(Loss)(Net)

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income decreased by 47.4% from TL 557 million in the year ended December 31, 2009 to TL 293 million in the year ended December 31, 2010. This decrease was driven by losses in the Group's derivative transactions, which the Group enters into for hedging purposes. Income from derivatives transactions decreased from a gain of TL 393 million in the year ended December 31, 2009 to a loss of TL 51 million in the year ended December 31, 2010. The Group enters into hedging instruments mainly to hedge the interest rate risk of fixed interest loans, such as housing loans, in low interest rate environments, taking into account the average duration of those loans. The general decrease in interest rates during 2010 caused these interest rate-based hedging derivatives to generate revaluation losses due to the mark-to-market revaluation methodology where this interest rate decrease generates net interest gain between funding costs and interest income. This decrease was partially offset by an increase in securities trading income from TL 521 million in 2009 to TL 656 million in 2010 due to profit-taking activities in a lower yield environment.

Other Operating Income

The Group's other operating income increased by 15.1% from TL 3,497 million in the year ended December 31, 2009 to TL 4,027 million in the year ended December 31, 2010. This increase was in large part due to the significant increase in revenues stemming from provision reversals, including loan loss provisions, which accounted for approximately 77% of the Bank's provision reversals during the year ended December 31, 2010. During the year ended December 31, 2010, the Group collected approximately TL 1,083 million, or 38.4%, of its NPLs at December 31, 2009, as compared to TL 991 million, or 44.1%, of its NPLs at December 31, 2008 during the year ended December 31, 2009. Such provision reversals reflected an improvement in economic conditions in Turkey in 2010 compared to 2009, resulting in strong collections activity of loans that were classified as non-performing during 2009. Contribution from operations of the Group's insurance/reinsurance companies to the Group's other operational income reached TL 2,314 million and TL 2,285 million in 2010 and 2009, respectively.

Provisioning for Loans and other Receivables

The Group's provisioning for loans and other receivables decreased by 49.8% from TL 2,364 million in the year ended December 31, 2009 to TL 1,186 million in the year ended December 31, 2010. This decrease was principally attributable to reductions in the amount of loans the Group classified as NPLs during the year ended December 31, 2010 as compared to 2009. This reduction in NPLs was driven by reductions in delinquencies in all loan types, including loans to SMEs, corporate and retail borrowers, as a result of improved economic conditions in Turkey. The NPL ratio decreased to 3.4% as of December 31, 2010, as compared to 5.1% as of December 31, 2009. Furthermore, the total value of new NPLs decreased significantly from TL 1,993 million in 2009 to TL 1,006 million during 2010.

The following table shows the Group's provisioning for loans and other receivables as of December 31, 2010 and December 31, 2009.

	As of December 31,	
	2010	2009
	<i>(TL thousands)</i>	
Specific Provisions for Loans and Other Receivables	793,747	1,493,497
Group III Loans and Receivables ⁽¹⁾	592,672	1,317,170
Group IV Loans and Receivables ⁽¹⁾	33,590	35,734
Group V Loans and Receivables ⁽¹⁾	167,485	140,593
General Loan Provision Expenses.....	246,169	71,127
Provision Expenses for Potential Risks.....	-	292,000
Marketable Securities Impairment Losses.....	3,513	5,139
Financial Assets at Fair Value through Profit and Loss.....	104	130
Financial Assets Available for Sale	3,409	5,009
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investments	-	64,796
Investment in Associates.....	-	-
Subsidiaries.....	-	64,796
Jointly Controlled Entities	-	-
Held to Maturity Investments	-	-
Other.....	142,482	437,006
Total.....	1,185,911	2,363,565

⁽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 8.8% from TL 5,213 million in the year ended December 31, 2009 to TL 5,672 million in the year ended December 31, 2010. This increase was in large part due to an 18.0% rise in staff costs and a 16.3% rise in administrative expenses. The increase in personnel costs was largely driven by the increase in the number of employees to 23,944 employees as of December 31, 2010, continued branch expansion and increases in annual salaries and other compensation. As of December 31, 2010, the Bank had 1,142 branches, compared to 1,093 as of December 31, 2009. A new collective bargaining agreement came into effect in April 2010, which increased salaries at rates the Bank’s management believes to be in line with rates for other banks in Turkey. The increase in other administrative expenses was mainly driven by a 31.6% growth in advertisement costs, driven principally by increased competition due to the improving economic conditions, during the periods under review. Expenses related to operations of the Group’s insurance/reinsurance companies constituted TL 1,978 million and TL 2,087 million of the Group’s other operating expenses in 2010 and 2009, respectively.

Net Profit

The Group’s net profit increased by 17.4% from TL 2,752 million in the year ended December 31, 2009 to TL 3,232 million in the year ended December 31, 2010. This increase was in large part due to a 15.1% increase in other operating income, a 49.8% drop in provision charges as a result of better asset quality with respect to loans and, to the lesser extent, a 2.1% increase in net fee and commission income. This increase was partially offset by a decrease in net interest income by 5.7% and a decrease in the Bank’s net interest margins by 130 basis points during 2010.

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 six months ended June 30, 2012:

As of (or for the six months ended) June 30, 2012

	Corporate	Commercial	Retail	Private (TL thousands)	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income	1,126,943	2,151,241	1,539,185	20,391	2,285,515	139,571	7,262,846
Interest Income from Loans.....	1,104,168	2,101,225	1,539,173	20,391	—	113,596	4,878,553
Interest Income from Banks.....	—	—	—	—	104,208	—	104,208
Interest Income from Money Market Transactions.....	—	—	—	—	6,394	—	6,394
Interest Income from Securities.....	—	—	—	—	2,174,913	—	2,174,913
Finance Lease Income.....	22,775	27,838	—	—	—	—	50,613
Other Interest Income.....	—	22,178	12	—	—	25,975	48,165
Interest Expense	650,311	528,521	1,001,441	652,626	1,238,759	62,586	4,134,244
Interest Expense on Deposits.....	572,472	528,521	1,001,441	652,626	—	22,841	2,777,901
Interest Expense on Funds Borrowed.....	77,839	—	—	—	102,024	—	179,863
Interest Expense on Money Market Transactions.....	—	—	—	—	941,639	—	941,639
Other Interest Expense.....	—	—	—	—	194,574	—	194,574
Interest Expense on Securities Issued.....	—	—	—	—	522	39,745	40,267
Net Interest Income	476,632	1,622,720	537,744	(632,235)	1,046,756	76,985	3,128,602
Net Fees and Commissions Income	(23,360)	82,529	294,167	7,842	28,099	203,026	592,303
Fees and Commissions Received.....	88,666	243,309	294,179	7,842	52,851	302,079	988,926
Fees and Commissions Paid.....	112,026	160,780	12	—	24,752	99,053	396,623
Dividend Income	—	—	—	—	204,528	—	204,528
Trading Income/Loss (Net)	—	—	—	—	487,624	—	487,624
Other Income	479,172	618,709	761,035	259	85,483	233,814	2,178,472
Prov. for Loans and Other Receivables	9,468	247,613	164,244	—	507	479,720	901,552
Other Operating Expense	453,549	811,584	1,413,433	38,461	97,752	630,843	3,445,622
Income Before Tax	469,427	1,264,761	15,269	(662,595)	1,754,231	(596,738)	2,244,355
Tax Provision.....	—	—	—	—	—	—	455,619
Net Period Profit	—	—	—	—	—	—	1,788,736
Group Profit/Loss.....	—	—	—	—	—	—	1,633,028
Minority Shares' Profit/Loss.....	—	—	—	—	—	—	155,708
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L.....	—	—	—	—	1,903,870	—	1,903,870
Banks and Other Financial Institutions.....	—	—	—	—	4,447,222	—	4,447,222
Money Market Placements.....	—	—	—	—	170,522	—	170,522
Financial Assets Available for Sale.....	—	—	—	—	33,485,969	—	33,485,969
Loans and Receivables.....	40,506,643	38,393,354	24,414,835	381,424	—	2,315,958	106,012,214
Held to Maturity Investments.....	—	—	—	—	11,874,494	—	11,874,494
Associates and Subsidiaries.....	—	—	—	—	4,127,100	—	4,127,100
Lease Receivables.....	658,252	670,642	—	—	5,783	—	1,334,677
Other.....	332,739	667,011	270	—	1,050,085	23,810,977	25,861,082
Total	41,497,634	39,731,007	24,415,105	381,424	57,065,045	26,126,935	189,217,150
SEGMENT LIABILITIES AND EQUITY							
Deposits.....	20,213,069	20,002,929	39,324,563	17,578,947	—	2,761,371	99,880,879
Derivative Financial Liabilities Held for Trading.....	—	—	—	—	653,534	—	653,534
Funds Borrowed.....	812,539	—	—	—	18,081,886	—	18,894,425
Money Market Funds.....	—	—	—	—	21,522,306	—	21,522,306
Securities Issued.....	—	—	—	—	5,393,622	—	5,393,622
Other Liabilities.....	28,244	—	—	—	101,163	11,547,168	11,676,575
Provisions.....	—	—	—	—	—	9,356,470	9,356,470
Shareholders' Equity.....	—	—	—	—	—	21,839,339	21,839,339
Total	21,053,852	20,002,929	39,324,563	17,578,947	45,752,511	45,504,348	189,217,150

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 (TL thousands)	Treasury/ Investment	Unallocated	Total
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

The following table sets forth certain information regarding the Group's segments as of and for the year ended December 31, 2009:

As of (or for the year ended) December 31, 2009

	Corporate	Commercial	Retail	Private (TL thousands)	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income	1,312,957	2,644,599	2,988,468	64,963	4,167,127	192,402	11,370,516
Interest Income from Loans.....	1,284,094	2,569,390	2,988,436	64,963	—	135,205	7,042,088
Interest Income from Banks	—	—	—	—	240,221	—	240,221
Interest Income from Money Market Transactions.....	—	—	—	—	101,806	—	101,806
Interest Income from Securities	—	—	—	—	3,644,342	—	3,644,342
Finance Lease Income.....	28,774	74,667	—	—	—	—	103,441
Other Interest Income	89	542	32	—	180,758	57,197	238,618
Interest Expense	1,073,391	213,684	1,616,086	1,769,678	948,531	9,002	5,630,372
Interest Expense on Deposits.....	891,788	213,684	1,616,086	1,769,678	—	—	4,491,236
Interest Expense on Funds Borrowed	181,199	—	—	—	586,219	—	767,418
Interest Expense on Money Market Transactions.....	—	—	—	—	362,312	—	362,312
Other Interest Expense.....	404	—	—	—	—	9,002	9,406
Net Interest Income	239,566	2,430,915	1,372,382	(1,704,715)	3,218,596	183,400	5,740,144
Net Fees and Commissions Income	109,123	374,621	518,577	68,812	50,835	(145,070)	976,898
Fees and Commissions Received	109,561	375,078	518,577	68,812	63,096	334,246	1,469,370
Fees and Commissions Paid	438	457	—	—	12,261	479,316	492,472
Dividend Income	—	—	—	—	166,338	—	166,338
Trading Income/Loss (Net)	—	—	—	—	557,041	—	557,041
Other Income	794,754	500,405	1,010,580	—	101,291	1,096,882	3,503,912
Prov. for Loans and Other Receivables	—	—	—	—	64,849	2,298,716	2,363,565
Other Operating Expense	1,033,062	930,202	2,115,253	50,074	129,184	955,484	5,213,259
Income Before Tax	110,381	2,375,739	786,286	(1,685,977)	3,900,068	(2,118,988)	3,367,509
Tax Provision	—	—	—	—	—	—	615,205
Net Period Profit	—	—	—	—	—	—	2,752,304
Group Profit/Loss.....	—	—	—	—	—	—	2,497,629
Minority Shares' Profit/Loss	—	—	—	—	—	—	254,675
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L.....	—	—	—	—	1,318,144	—	1,318,144
Banks and Other Financial Institutions	—	—	—	—	10,451,745	—	10,451,745
Money Market Placements.....	—	—	—	—	—	—	—
Financial Assets Available for Sale.....	—	—	—	—	30,559,433	—	30,559,433
Loans and Receivables	20,989,634	15,457,782	15,817,600	495,424	—	—	52,760,440
Held to Maturity Investments	—	—	—	—	13,347,307	—	13,347,307
Associates and Subsidiaries	—	—	—	—	2,996,044	—	2,996,044
Lease Receivables.....	354,939	575,132	—	—	945	—	931,016
Other.....	—	—	—	—	1,438,468	15,113,879	16,552,347
Total	21,344,573	16,032,914	15,817,600	495,424	60,112,086	15,113,879	128,916,476
SEGMENT LIABILITIES AND EQUITY							
Deposits	15,270,840	6,849,942	26,961,182	22,973,008	—	—	72,054,972
Derivative Financial Liabilities Held for Trading	—	—	—	—	498,835	—	498,835
Funds Borrowed.....	5,130,428	—	—	—	9,743,859	—	14,874,287
Money Market Funds	—	—	—	—	13,472,637	—	13,472,637
Other Liabilities	—	—	—	—	497,634	5,099,877	5,597,511
Provisions	—	—	—	—	—	7,112,309	7,112,309
Shareholders' Equity	—	—	—	—	—	15,305,925	15,305,925
Total	20,401,268	6,849,942	26,961,182	22,973,008	24,212,965	27,518,111	128,916,476

Financial Condition

The tables below set forth the Group's balance sheet data as of June 30, 2012 and as of December 31, 2011, 2010 and 2009.

	As of June 30,	As of December 31,		
	2012	2011	2010	2009
		(TL thousands)		
ASSETS				
Cash And Balances with the Central Bank	13,539,572	13,886,577	8,595,906	8,789,728
Financial Assets At Fair Value Through Profit And Loss (Net)	1,903,870	2,418,121	1,837,110	1,318,144
Financial Assets Held for Trading	1,903,870	2,418,121	1,837,110	1,318,144
Government Debt Securities	809,032	976,193	1,052,141	976,260
Share Certificates	138,577	153,621	245,928	89,683
Derivative Financial Assets Held for Trading	719,208	961,689	274,615	146,608
Other Marketable Securities	237,053	326,618	264,426	105,593
Banks	4,447,222	4,747,906	6,375,798	10,451,745
Money Market Placements	170,522	171,613	10,194	—
Interbank Money Market Placements	—	43,141	—	—
Istanbul Stock Exchange Money Market Placements	170,012	120,520	1,247	—
Receivables from Reverse Repurchase Agreements	510	7,952	8,947	—
Financial Assets Available For Sale (Net)	33,485,969	33,557,066	36,181,207	30,559,433
Share Certificates	123,407	70,887	72,207	43,758
Government Debt Securities	31,009,485	30,445,391	32,283,794	28,014,466
Other Marketable Securities	2,353,077	3,040,788	3,825,206	2,501,209
Loans	106,012,214	99,028,122	69,077,804	52,760,440
Loans	106,012,214	99,028,122	69,077,804	52,760,440
Loans to the Bank's Risk Group	572,886	702,189	460,281	706,615
Other	105,439,328	98,325,933	68,617,523	52,053,825
Non-Performing Loans	2,048,626	2,109,419	2,463,597	2,817,823
Specific Provisions (-)	2,048,626	2,109,419	2,463,597	2,817,823
Factoring Receivables	667,281	404,653	331,320	—
Held To Maturity Investments (Net)	11,874,494	13,707,432	14,070,629	13,347,307
Government Debt Securities	11,859,396	13,686,705	14,052,833	12,009,230
Other Marketable Securities	15,098	20,727	17,796	1,338,077
Investments In Associates (Net)	789,492	776,951	794,592	735,900
Associates Accounted for Using the Equity Method	82,537	74,405	64,563	59,757
Unconsolidated Associates	706,955	702,546	730,029	676,143
Financial Investments	—	—	3,150	3,150
Non-Financial Investments	706,955	702,546	726,879	672,993
Investments In Subsidiaries (Net)	3,337,608	3,202,087	2,746,829	2,260,144
Unconsolidated Financial Subsidiaries	—	—	—	303,054
Unconsolidated Non-Financial Subsidiaries	3,337,608	3,202,087	2,746,829	1,957,090
Lease Receivables	1,334,677	1,376,390	963,265	931,016
Finance Lease Receivables	1,542,061	1,599,365	1,126,600	1,095,030
Operating Lease Receivables	5,783	2,278	968	945
Unearned Income (-)	213,167	225,253	164,303	164,959
Tangible Assets (Net)	2,105,842	2,166,852	1,999,633	2,040,273
Intangible Assets (Net)	139,486	120,352	56,114	45,247
Goodwill	35,974	29,590	7,170	7,170
Other	103,512	90,762	48,944	38,077
Investment Property (Net)	1,050,085	1,037,294	1,242,157	810,782
Tax Assets	682,468	655,919	836,057	637,952
Current Tax Asset	24,647	20,135	15,321	21,820
Deferred Tax Asset	657,821	635,784	820,736	616,132
Assets Held For Sale	64,258	60,256	54,233	28,801
Other Assets	7,612,090	6,618,239	5,637,888	4,199,564
Total Assets	189,217,150	183,935,830	150,810,736	128,916,476

	As of June 30,	As of December 31,		
	2012	2011	2010	2009
		(TL thousands)		
LIABILITY & EQUITY				
Deposits	99,880,879	98,831,996	88,476,619	72,054,972
Deposits from the Bank's Risk Group	2,072,192	2,133,162	2,287,626	1,485,417
Other	97,808,687	96,698,834	86,188,993	70,569,555
Derivative Financial Liabilities Held for Trading	653,534	916,086	731,310	498,835
Funds Borrowed	18,803,935	18,779,275	14,282,865	14,798,944
Money Market Funds	21,522,306	22,472,982	12,969,586	13,472,637
Istanbul Stock Exchange Money Market Funds	1,964,846	1,975,830	1,539,620	1,128,031
Funds Provided Under Repurchase Agreements	19,557,460	20,497,152	11,429,966	12,344,606
Marketable Securities Issued (Net)	5,393,622	3,765,876	195,954	—
Bills	3,337,645	1,888,329	195,954	—
Bonds	2,055,977	1,877,547	—	—
Funds	8,282	7,894	—	—
Sundry Creditors	8,664,957	7,161,721	5,946,252	4,577,236
Other Liabilities	2,448,745	2,442,482	1,181,867	679,030
Provisions	9,356,470	8,713,868	7,560,506	7,112,309
General Loan Loss Provision	1,517,630	1,315,935	745,322	538,702
Reserves for Employee Benefits	315,598	287,456	244,661	183,806
Insurance Technical Reserves (Net)	4,556,655	4,334,641	3,792,063	3,485,676
Other Provisions	2,966,587	2,775,836	2,778,460	2,904,125
Tax Liability	554,591	438,081	401,175	341,245
Current Tax Liability	551,195	433,991	396,363	341,245
Deferred Tax Liability	3,396	4,090	4,812	—
Subordinated Loans	90,490	95,000	77,947	75,343
Shareholders' Equity	21,839,339	20,310,569	18,986,655	15,305,925
Paid-in Capital	4,500,000	4,500,000	4,500,000	3,079,639
Capital Reserves	3,299,019	2,808,602	2,890,175	2,585,932
Share Premium	33,937	33,937	33,937	31,008
Marketable Securities Revaluation Reserve	1,650,323	1,159,906	1,241,479	576,050
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	(1,179)	(1,179)	(1,179)	1,383
Other Capital Reserves	1,615,938	1,615,938	1,615,938	1,977,491
Profit Reserves	10,384,958	8,352,002	5,918,120	5,109,463
Legal Reserves	2,031,062	1,838,830	1,610,119	1,404,488
Statutory Reserves	48,553	39,586	28,293	20,362
Extraordinary Reserves	8,317,329	6,363,264	4,312,543	3,705,309
Other Profit Reserves	(11,986)	110,322	(32,835)	(20,696)
Profit or Loss	1,023,718	2,179,515	3,028,597	2,567,793
Prior Years' Profit/Loss	(609,310)	(92,024)	89,441	70,164
Current Year Profit/Loss	1,633,028	2,271,539	2,939,156	2,497,629
Minority Shares	2,631,644	2,470,450	2,649,763	1,963,098
Total Liabilities and Equity	189,217,150	183,935,830	150,810,736	128,916,476

Assets

As of June 30, 2012, the Group had total assets of TL 189,217 million, an increase of 2.9% 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 7.1% 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 June 30, 2012, the Group's cash and balances with the Central Bank was TL 13,540 million, a decrease of 2.5% compared to TL 13,887 million as of December 31, 2011. This decrease was primarily the result of the Bank's election to take advantage of the high interest levels on both marketable securities and loans, which resulted in a positive effect on the net interest margin.

During the global economic crisis in 2008 and 2009, the Group took a conservative position concerning cash reserves and maintained a high level of liquidity, especially in foreign currencies. By the beginning of 2010, as the economic outlook in Turkey began to improve, demand for new loans increased and the Group began to experience improvements in its NPL recovery. These factors, in turn, encouraged the Group to convert some of its liquid assets into new loans, which led to a decrease in the amount of cash and balances with the Central Bank. Furthermore, 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.

Loans, Leasing and Factoring Receivables

As of June 30, 2012, the Group had loans, leasing and factoring receivables of TL 108,014 million, an increase of 7.1% 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 7.1% increase in loans, principally due to the 12.0% increase in Turkish Lira-denominated loans. This increase in Turkish Lira loans was primarily driven by a 14.5% increase in non-retail Turkish Lira-denominated loans. On the other hand, foreign exchange-denominated loans contracted by 0.6%. Additional information regarding the Group's loan portfolio is set forth in "Selected Statistical and Other Information – Loan Portfolio."

Liabilities

As of June 30, 2012, the Group had total liabilities of TL 167,378 million, an increase of 2.3% 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 43.2% increase in securities issued, a 7.5% increase in shareholders' equity, a 21.0% increase in miscellaneous payables and a 1.1% increase in deposits. Additional information regarding the Group's liabilities is set forth in "Selected Statistical and Other Information."

Shareholders' Equity

As of June 30, 2012, the Group's shareholders' equity amounted to 11.5% of the Group's total assets, compared to 11.0% as of December 31, 2011. Both retained profit and TL 567 million of mark-to-market gains from available-for-sale investments in the six months ended June 30, 2012 contributed to the increase in shareholders' equity. However, the TL 707 million allocated for dividend payments was deducted from shareholders' equity in the six months ended June 30, 2012, which in turn limited the growth in shareholders' equity. Total shareholders' equity was TL 15,306 million, TL 18,987 million, TL 20,311 million and TL 21,839 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

Off-Balance Sheet Arrangements

The aggregate amount of off-balance sheet arrangements, comprising guarantees, letters of credit and similar obligations, totaled TL 30,143 million as of June 30, 2012, compared with TL 27,208 million as of December 31, 2011. The increase was due to the 10.8% increase in the letters of guarantee portfolio. Additional information regarding the Group's off-balance sheet arrangements is set forth in "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 the rate currently being applied to the Bank being 12%. As of June 30, 2012 and December 31, 2011, 2010 and 2009, the Group's total risk-based capital ratio (consisting principally of Tier 1 capital) was 14.41%, 14.11%, 17.55% and 18.13%, respectively (14.21%, 14.07%, 17.55%, and 18.31%, 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"). Such risk limits would be different if calculated on the basis of Basel II, which applies as of 1 July 2012.

The following table sets out information on the Group's capital and its capital adequacy ratios as of June 30, 2012 and December 31, 2011, 2010 and 2009.

	As of June 30, 2012	As of December 31,		
		2011	2010	2009
		<i>(TL thousands, except percentages)</i>		
Paid-in capital	4,500,000	4,500,000	4,500,000	3,079,639
Paid-in capital inflation adjustments.....	1,615,938	1,615,938	1,615,938	1,977,491
Profit reserves	10,095,981	8,175,522	5,918,120	5,109,463
Profit	1,023,718	2,179,515	3,028,597	2,567,793
Tier I Capital (I).....	20,833,489	19,841,319	17,982,133	15,127,364
Tier II Capital (II).....	2,355,220	1,698,000	1,484,552	943,292
Deductions (III)	207,592	352,225	115,841	438,070
Own Funds (I+II-III).....	22,981,117	21,187,094	19,350,844	15,632,586
Risk Weighted Assets (including market and operational risk).....	159,486,116	150,205,299	110,259,498	86,220,211
Capital Ratios:				
Tier I Capital/Risk Weighted Assets.....	13.06%	13.21%	16.31%	17.55%
Own Funds/Risk Weighted Assets.....	14.41%	14.11%	17.55%	18.13%

The significant increases in the Group's capital in each of 2011 and 2010 represented the growth in the Group's retained earnings. The Group's capital adequacy ratios decreased in 2010 and 2011 as a result of increases in the amount of loans made by the Group as market conditions improved in this period. The Bank expects that the Group's capital adequacy ratio may decline further in 2012 as the full implementation of Basel II in July 2012 will have a slightly negative impact on capital ratios, but will seek to ensure that both it and the Group maintain a ratio above the BRSA's recommended level.

Non-Financial Participations/Non-BRSA consolidated subsidiaries

As of June 30, 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 table sets forth certain information regarding Şişecam Group and Avea. For a discussion of the differences between the BRSA Interim Financial Statements and the IFRS Interim Financial Statements, see "Summary of Significant Differences Between IFRS and BRSA Accounting Principles and Reconciliation of Certain BRSA and IFRS Data."

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. Non-financial participations are fully consolidated in the IFRS 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 six month period ended) June 30,		As of (or for the year ended) December 31,		
	2012	2011	2011	2010	2009
			<i>(TL thousands)</i>		
Total Assets	8,317,444	7,747,868	8,254,776	6,769,991	6,688,458
Total Liabilities	3,058,132	2,996,407	3,098,455	2,623,208	2,977,542
Profit/(loss) for the period	208,217	375,660	740,564	484,314	119,057

	As of (or for the year ended) December 31,		
	2011	2010	2009
	<i>(TL thousands)</i>		
Total Assets	10,953,269	10,653,963	10,859,158
Total Liabilities	6,376,164	5,036,491	4,278,747
Profit/(loss) for the period	(1,040,680)	(962,939)	(1,242,167)

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 sources of funding as of the dates indicated:

	As of June 30, 2012		
	TL	Foreign Currencies	Total
	<i>(TL thousands)</i>		
Deposits	57,039,792	42,841,087	99,880,879
Repos and Money Market Funds	17,257,206	4,265,100	21,522,306
Funds Borrowed ⁽¹⁾	5,689,431	18,516,408	24,205,839
Subordinated Loans	—	90,490	90,490

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

	As of December 31, 2011			As of December 31, 2010			As of December 31, 2009		
	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total
	<i>(TL thousands)</i>								
Deposits	59,387,345	39,444,651	98,831,996	58,510,364	29,966,255	88,476,619	43,684,501	28,370,471	72,054,972
Repos and Money Market Funds	16,425,130	6,047,852	22,472,982	9,077,523	3,892,063	12,969,586	8,826,423	4,646,214	13,472,637
Funds Borrowed ⁽¹⁾	3,366,135	19,186,910	22,553,045	1,104,092	13,374,727	14,478,819	2,649,229	12,149,715	14,798,944
Subordinated Loans	—	95,000	95,000	—	77,947	77,947	—	75,343	75,343

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

The Group's consolidated customer deposits constituted in aggregate approximately 52.8%, 53.7%, 58.7% and 55.9% of its total liabilities as of June 30, 2012 and December 31, 2011, 2010 and 2009, respectively. As of June 30, 2012, the Group's consolidated customer deposits amounted to TL 98,881 million, an increase of 1.1% 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 (TL 72,055 million as of December 31, 2009). For more information on deposits with the Group, see "Selected Statistical and Other Information – Deposits."

For tables setting out the maturity structure of the Group's deposits with a breakdown of the source of deposits for the six months ended June 30, 2012 and the years ended December 31, 2009, 2010 and 2011, see Note II.1.a in the consolidated BRSA Financial Statements.

The remaining sources of funds for the Group are funds borrowed, repos and money market funds. Funds borrowed is mainly composed of borrowings from foreign banks and institutions and marketable securities issued by the Group

consisting of TL- and foreign-currency denominated bills and bonds. Funds borrowed represented 12.8%, 12.3%, 9.6% and 11.5% of the Group's total liabilities as of June 30, 2012 and December 31, 2011, 2010 and 2009, 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 June 30, 2012	
	TL	Foreign Currencies
	<i>(TL thousands)</i>	
Funds borrowed from the domestic banks and institutions.....	489,020	895,722
Funds borrowed from foreign banks, institutions and funds.....	717,237	16,701,956
Marketable securities issued	4,480,474	913,148
Total	5,686,731	18,510,826

	As of December 31,					
	2011		2010		2009	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
	<i>(TL thousands)</i>					
Funds borrowed from domestic banks and institutions.....	501,011	766,941	873,131	483,658	389,813	456,196
Funds borrowed from foreign banks, institutions and funds.....	41,140	17,470,183	35,007	12,891,069	2,259,416	11,693,519
Marketable securities issued.....	2,822,425	943,451	195,954	—	—	—
Total	3,364,576	19,180,575	1,104,092	13,374,727	2,649,229	12,149,715

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

	As of June 30, 2012	
	TL	Foreign Currencies
	<i>(TL thousands)</i>	
Short-term.....	4,480,183	5,868,143
Medium and Long-term.....	1,206,548	12,642,683
Total	5,686,731	18,510,826

	As of December 31,					
	2011		2010		2009	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
	<i>(TL thousands)</i>					
Short-term.....	2,380,050	6,539,309	1,101,223	4,883,754	417,261	3,848,143
Medium and Long-term.....	984,526	12,641,266	2,869	8,490,973	2,231,968	8,301,572
Total	3,364,576	19,180,575	1,104,092	13,374,727	2,649,229	12,149,715

Borrowings from foreign banks and institutions include syndicated loans, "diversified payment rights" (DPR) and credit card future flow transactions, eurobonds and other fund-raising. Details of the Bank's syndicated loans, future flow transactions and eurobonds as of June 30, 2012 are as follows:

Outstanding Principal	Final Maturity	Interest rate %
\$21 million DPR issuance	November 2012	Libor + 0.36%
\$40 million DPR issuance	November 2014	Libor + 1.83%
\$50 million DPR issuance	May 2013	Libor + 0.15%
\$67 million credit card issuance	January 2014	Libor + 1.00%
\$47 million credit card issuance	January 2014	Libor + 0.25%
\$52 million DPR issuance	May 2014	Libor + 0.93%
\$45 million DPR issuance	May 2014	Libor + 0.23%
\$72 million DPR issuance	May 2014	Libor + 0.16%
\$95 million DPR issuance	August 2013	Libor + 0.92%
\$285 million DPR issuance	February 2015	Libor + 0.82%
\$70 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%
€743 million syndicated loan	May 2013	Euribor + 0.95%
\$359 million syndicated loan	September 2012	Libor + 0.75%
€603 million syndicated loan	September 2012	Euribor + 0.75%
\$45 million syndicated loan	September 2012	Libor + 1.15%
€115 million syndicated loan	September 2012	Euribor + 1.15%
\$500 million eurobond	February 2016	5.10%

On September 12, 2012, the Bank renewed its syndicated loan that was obtained in September 2011. The new loan consists of two tranches with amounts of \$404.5 million and €572.6 million. The interest rate of the tranches are Libor/Euribor + 0.85%.

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.

As of the date of this Offering Circular, the Bank's management believes that the Bank'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 consolidated BRSA Financial Statements.

As of June 30, 2012, the Group had issued letters of credit amounting to TL 6,114 million, guarantees amounting to TL 22,073 million, acceptance credits amounting to TL 572 million and other guarantees and endorsements amounting to TL 1,385 million.

The table below sets forth the Group's total off-balance sheet guarantees as of June 30, 2012 and as of December 31, 2011, 2010 and 2009.

	As of June 30,	As of December 31,		
	2012	2011	2010	2009
		<i>(TL thousands)</i>		
Letters of guarantee.....	22,072,600	19,924,273	12,464,904	9,952,646
Acceptance credits	571,861	500,455	211,538	151,195
Letters of credit	6,113,667	5,761,529	3,380,888	2,775,336
Other guarantees ⁽¹⁾	1,385,068	1,021,974	372,685	387,291
Total	30,143,196	27,208,231	16,430,015	13,266,468

(1) Includes endorsements.

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

	As of June 30, 2012					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
Forward foreign exchange contracts.....	4,609,607	5,182,806	9,792,413	2,444,576	7,254,258	9,698,834
Currency Swaps	4,313,237	14,569,126	18,882,363	7,329,068	11,729,474	19,058,542
Interest rate swaps.....	3,604,000	9,730,964	13,334,964	3,604,000	9,730,964	13,334,964
Currency options.....	1,055,061	1,255,670	2,310,731	751,531	1,543,372	2,294,903
Interest rate options.....	60,000	2,118,331	2,178,331	60,000	2,118,331	2,178,331
Marketable security and index options	23,429	—	23,429	23,429	—	23,429
Currency futures	14,668	6,183	20,851	5,167	15,542	20,709
Interest rate futures	—	—	—	—	—	—

	As of December 31, 2011					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
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
	<i>(TL thousands)</i>					
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

As of December 31, 2009

	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
Forward foreign exchange contracts	360,424	1,009,237	1,369,661	383,238	985,237	1,368,475
Currency swaps	81,501	2,151,912	2,233,413	1,848,388	362,871	2,211,259
Interest rate swaps	1,760,000	3,045,848	4,805,848	1,760,000	3,045,921	4,805,921
Currency options	1,131,822	374,172	1,505,994	338,295	1,120,750	1,459,045
Interest rate options	—	455,515	455,515	—	455,515	455,515
Marketable security and index options	5	—	5	—	5	5
Currency futures	13,776	5,812	19,588	5,711	13,604	19,315
Interest rate futures	—	—	—	—	1,643,661	1,643,661

Property, Plant and Equipment

The table below sets forth the components of the Group's consolidated property and equipment as of June 30, 2012, December 31, 2011, 2010 and 2009.

	As of June 30,	As of December 31,		
	2012	2011	2010	2009
	<i>(TL thousands)</i>			
Buildings	3,608,699	3,640,226	3,594,986	3,653,811
Land improvements	125,927	132,826	121,921	95,797
Construction in progress	58,967	8,769	11,566	61,540
Vehicles	22,401	21,611	20,018	18,699
Other ⁽¹⁾	1,526,257	1,543,262	1,259,693	1,177,775
Depreciation	(3,236,409)	(3,179,842)	(3,008,551)	(2,967,349)
Net book value	2,105,842	2,166,852	1,999,633	2,040,273

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

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES AND RECONCILIATION OF CERTAIN BRSA AND IFRS DATA

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 (the “*BRSA standards*”). Although the TFRS is almost the exact translation of IFRS, the BRSA standards, 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 BRSA standards and IFRS differ from each other.

Consolidation

Consolidation principles under the BRSA standards 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 standards, only subsidiaries and associates operating in the financial services sector are required to be consolidated; 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 standards, specific and general reserves for possible loan losses are provided for in accordance with the “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set Aside” issued by BRSA. All loans are grouped into five categories mainly depending upon their past due status and creditworthiness of the borrower. The BRSA standards 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).

The Bank’s policy is to provide fully (at a rate of 100%) for its non-performing loan portfolio; *however*, on September 20, 2012 the Bank announced that its board of directors authorized the Bank’s management to change this policy to one that only need comply with the provisioning levels required by law; *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 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 June 30, 2012, 8.8%, 16.1% and 75.1% 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 Bank’s management is analyzing what changes to make as a result of this authorization, including when considered in the context of each borrower’s collateral and NPL category. Should the Bank determine to follow legal requirements, then (as specific provisions result in a booking of an expense) such a reduction in provisions would result in a corresponding increase in the Bank’s capital levels.

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 standards, 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 standards and IFRS.

Presentation of Financial Statements

Although presentation of the financial statements under both the BRSA standards and IFRS are similar to each other, there are still differences. BRSA financial statements are prepared under a special format determined by the BRSA. Similarly, both cash flow and comprehensive income statements are prepared based upon 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.

Reconciliation of Certain BRSA and IFRS Data

Balance sheet reconciliation as of December 31, 2011

December 31, 2011	Per BRSA balance sheet	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment 5	Adjustment 6	Adjustment 7	Adjustment 8	Adjustment 9	Non- financial subsidiaries line by line inclusion impact	Other	Per IFRS balance sheet
							(TL thousands)						
Assets:													
Loans and Leasing Receivables	100,809,165	(280,567)	(747,494)			382,433					(489,245)		99,291,859
Trade Receivables	3,765,876					1,208,777					1,013,260		1,395,692
Insurance Receivables	3,979,038										(3,615,692)	(8,734)	1,200,043
Investments in Associates	6,618,239	(5,633)				(1,591,210)	(263,782)	(2,208,123)			109,671	(144,815)	363,346
Other Assets													2,514,347
Liabilities:													
Deposits	98,831,996										(1,422,815)		97,409,181
Debt Securities Issued	3,765,876								(1,843)				3,764,033
Borrowing Funding Loans	18,779,275	(5,633)									2,039,681		20,813,323
Employee Benefits	287,456				1,363,329						234,954	12,354	1,898,093
Trade Payables	4,334,641									564,965	460,925		1,025,890
Insurance Contract Liabilities	1,315,935		(1,315,935)										4,685,573
Generic Provision	2,775,836		(61,043)	(145,000)	(1,363,329)								-
Other Provisions													1,174,921
Other Liabilities and Sundry Creditors	9,604,203	(280,567)					(263,782)	(2,208,123)	1,843	(564,965)	(67,606)	(608,007)	5,612,997

Adjustment 1 Transaction fees that are an integral part of underlying loans are presented in other liabilities in the BRSA financial statements but are classified as loan and leasing receivables in the IFRS financial statements.

Adjustment 2 The classification of both general and other provision items in connection with loans and leasing receivables to the relevant line item in the IFRS financial statements. Also includes correction of total loan loss provision in accordance with IAS 39.

Adjustment 3 Partial reversal of free provision in previous year IFRS financial statements.

Adjustment 4 Provisions for defined benefit plans are presented in other provisions in the BRSA financial statements, whereas such provisions are classified as employee benefits in the IFRS financial statements according to IAS 1.

Adjustment 5 Trade receivables and insurance receivables are presented in other assets in the BRSA financial statements. In the IFRS financial statements, those items are presented separately.

Adjustment 6 Cheque clearance account receivables and payables are presented on a gross basis in accordance with BRSA legislation. However, the net amount of cheque clearance account receivables and payables is presented in the IFRS financial statements according to IAS 1.

Adjustment 7 In accordance with Turkish Treasury legislation, fund accounts of insurance clients are presented separately as assets and liabilities in the BRSA financial statements. Based upon IAS 39, those accounts are presented on a net basis in the IFRS financial statements.

Adjustment 8 Prepaid commissions are netted for the debt securities issued in the IFRS financial statements.

Adjustment 9 Trade payables are included in other liabilities in the BRSA financial statements. In the IFRS financial statements, those items are presented separately.

Non-financial subsidiaries

line by line inclusion impact

This column illustrates the impact of line by line consolidation of non-financial subsidiaries and relevant intercompany eliminations.

Other This column illustrates all other various insignificant adjustments and reclassifications made to IFRS financial statements.

Net profit reconciliation for 2011

	2011
	<i>(TL thousands)</i>
Per BRSA net profit	2,389,368
Non-financial subsidiaries line by line inclusion impact on net profit	892,505
– Türkiye Şişe ve Cam Fabrikaları A.Ş. Net profit	130,356
– Soda Sanayi A.Ş. Net profit	192,840
– Anadolu Cam Yenisehir San. A.Ş. Net Profit	102,543
– Trakya Yenisehir Cam San. A.Ş. Net Profit	75,775
– Anadolu Cam A.Ş. Net Profit	74,695
– Other non-finance group companies' Net profit	316,296
Adjustment 1: Equity impact of non-financial associates	(143,087)
Adjustment 2: dividend elimination from non-financial subsidiaries	(338,844)
Adjustment 3: NPL provision adjustment based upon IFRS ^(*)	88,618
Adjustment 4: Provision for dividends to be distributed to personnel from net profit	(89,889)
Adjustment 5: Reversal of impairment for Bayek A.Ş.	21,111
Adjustment 6: Lawsuit provision	5,414
Intercompany eliminations (e.g., FX gain/loss, fixed asset sale income)	(3,263)
Taxation impact of the all taxable IFRS adjustments made herein	80,455
Other	167,295
Per IFRS net profit	3,069,683

(*) Based upon IFRS, specific loan impairment is calculated based upon the cash flow projections, while the collective loan impairment is calculated based upon the historical default and recovery rates. On the other hand, under BRSA standards, both specific and collective loan impairment are calculated based upon the specified parameters defined by the BRSA. Therefore, this line includes impact of adjusting loan impairment in accordance with IAS 39.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical and other information for the Group (or, when information about the Group is not readily-available or relevant, the Bank) as of the indicated dates and for the periods indicated. Except as specifically noted herein, the selected statistical and other information should be read in conjunction with the BRSA Financial Statements (including the notes thereto) and the information included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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 2009, 2010 and 2011. In such tables, unless otherwise stated, average balances are calculated from monthly balances and include interest accruals.

	2009			2010			2011		
	Average Balance	Avg. Yield	Interest Income	Average Balance	Avg. Yield	Interest Income	Average Balance	Avg. Yield	Interest Income
<i>(TL thousands, except percentages)</i>									
ASSETS									
Average Interest-Earning Assets									
Total Performing Loans	46,545,735	14.25%	6,632,800	54,933,334	10.39%	5,708,026	77,498,824	8.87%	6,873,235
Turkish Lira	32,610,795	18.26%	5,955,125	38,317,720	13.12%	5,026,514	50,929,821	11.13%	5,667,417
Foreign Currency	13,934,940	4.86%	677,675	16,615,614	4.10%	681,512	26,569,003	4.54%	1,205,818
Total Securities	30,336,453	9.95%	3,017,404	42,981,769	8.53%	3,667,042	42,858,221	8.68%	3,721,515
Turkish Lira	18,083,808	13.23%	2,392,988	31,669,971	10.17%	3,219,436	33,315,447	9.97%	3,323,123
Foreign Currency	12,252,645	5.10%	624,416	11,311,798	3.96%	447,606	9,542,774	4.17%	398,392
Total Banks	7,039,767	1.33%	93,727	5,420,053	0.81%	44,166	2,371,798	0.74%	17,570
Turkish Lira	197,694	7.53%	14,884	179,527	5.73%	10,278	140,588	4.34%	6,095
Foreign Currency	6,842,073	1.15%	78,843	5,240,526	0.65%	33,888	2,231,210	0.51%	11,475
Total Money Market Placements⁽¹⁾	780,011	11.13%	86,809	127,619	4.51%	5,752	967	7.03%	68
Turkish Lira	780,011	11.13%	86,809	70,993	6.38%	4,532	744	7.26%	54
Foreign Currency	-	0.00%	-	56,626	2.15%	1,220	223	6.28%	14
Total for Average Interest-Earning Assets	84,701,966	11.61%	9,830,740	103,462,775	9.11%	9,424,986	122,729,810	8.65%	10,612,388
Turkish Lira	51,672,308	16.35%	8,449,806	70,238,211	11.76%	8,260,760	84,386,600	10.66%	8,996,689
Foreign Currency	33,029,658	4.18%	1,380,934	33,224,564	3.50%	1,164,226	38,343,210	4.21%	1,615,699
Average Non-Interest-Earning Assets									
Cash and balance with Central Bank ⁽²⁾	7,450,163			6,973,127			13,610,421		
Derivatives	180,955			200,222			581,107		
Equity participations.....	3,855,106			5,461,081			6,873,503		
Non-performing loans net of allowances	-			-			-		
Tangibles	1,869,695			1,830,741			1,825,473		
Other assets	1,282,605			1,850,281			2,164,581		
Total Average Non-Interest-Earning Assets	14,638,524			16,315,452			25,055,085		
Total Average Assets	99,340,490			119,778,227			147,784,895		

(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.

	2009			2010			2011		
	Average Balance	Avg. Rate Paid	Interest Expense	Average Balance	Avg. Rate Paid	Interest Expense	Average Balance	Avg. Rate Paid	Interest Expense
<i>(TL thousands, except percentages)</i>									
LIABILITIES									
Average Interest-Bearing Liabilities									
Total Deposits (other than demand deposits)	55,511,474	8.23%	4,567,578	65,517,027	6.50%	4,258,690	75,942,511	6.55%	4,977,232
Turkish Lira.....	34,478,181	11.52%	3,973,255	43,167,233	8.61%	3,715,843	49,642,645	8.37%	4,155,219
Foreign Currency.....	21,033,293	2.83%	594,323	22,349,794	2.43%	542,847	26,299,866	3.13%	822,013
Funds Borrowed	10,394,246	5.64%	586,219	9,509,117	5.38%	511,177	9,556,851	2.40%	229,383
Turkish Lira.....	2,639,661	14.99%	395,730	2,182,221	16.34%	356,510	148,290	7.34%	10,891
Foreign Currency.....	7,754,585	2.46%	190,489	7,326,896	2.11%	154,667	9,408,561	2.32%	218,492
Funds provided under repurchase agreements⁽¹⁾	3,937,153	4.20%	165,485	9,917,187	4.38%	434,702	15,161,693	5.82%	883,115
Turkish Lira.....	1,080,206	7.74%	83,592	5,528,781	6.51%	359,864	10,601,814	7.54%	799,657
Foreign Currency.....	2,856,947	2.87%	81,893	4,388,406	1.71%	74,838	4,559,879	1.83%	83,458
Debt securities issued	-	0.00%	-	-	0.00%	-	2,632,951	7.90%	208,048
Turkish Lira.....	-	0.00%	-	-	0.00%	-	1,913,960	8.68%	166,065
Foreign Currency.....	-	0.00%	-	-	0.00%	-	718,991	5.84%	41,983
Total for Average Interest-Bearing Liabilities	69,842,873	7.62%	5,319,282	84,943,331	6.13%	5,204,569	103,294,006	6.10%	6,297,778
Turkish Lira.....	38,198,048	11.66%	4,452,577	50,878,235	8.71%	4,432,217	62,306,709	8.24%	5,131,832
Foreign Currency.....	31,644,825	2.74%	866,705	34,065,096	2.27%	772,352	40,987,297	2.84%	1,165,946
Average Non-Interest-Bearing Liabilities									
Deposits-demand.....	9,462,416			11,953,203			15,762,984		
Provisions.....	3,237,616			3,502,867			3,923,363		
Tax liabilities.....	338,058			366,430			243,693		
Other liabilities.....	3,181,196			4,042,937			5,652,040		
Total Average Non-Interest-Bearing Liabilities	16,219,286			19,865,437			25,582,080		
Total Average Liabilities	86,062,159			104,888,768			128,876,086		
Total Average Shareholders' Equity and net profit	11,233,411			14,908,832			17,653,478		

(1) Calculated from daily balances and does not include interest accruals.

The following table (derived from the Bank's management accounts) shows the Bank's net interest income, margin and spread for each of the three years ended December 31, 2009, 2010 and 2011. Averages are based upon daily data (other than margin averages, which are calculated by using quarterly data).

	2009	2010	2011
<i>(TL thousands, except percentages)</i>			
Net interest income.....	4,867,488	4,581,875	4,561,800
Turkish Lira.....	4,361,773	4,193,808	4,140,671
Foreign Currency.....	505,715	388,067	421,129
Margin ⁽¹⁾	5.6%	4.3%	3.7%
Spread ⁽²⁾⁽³⁾	4.0%	3.2%	2.8%
Turkish Lira.....	4.9%	3.4%	2.9%
Foreign Currency.....	1.4%	1.3%	1.4%

(1) Margin represents net interest income as a percentage of average interest earning assets. Reserves held at the Central Bank have been excluded from interest-earning assets. Interest income from the Central Bank has been excluded from net interest income.

(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.

B. 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 net interest income and interest expense by reference to changes in average volume and rates for the three years ended December 31, 2009, 2010 and 2011. Net changes in net interest income 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 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.

	2011/2010		
	Increase (decrease) due to changes in		
	Volume	Rate	Net Change
	<i>(TL thousands)</i>		
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

	2010/2009		
	Increase (decrease) due to changes in		
	Volume	Rate	Net Change
	<i>(TL thousands)</i>		
Interest Income			
Total Performing Loans	1,838,805	(2,763,686)	(924,773)
Performing Loans in Turkish Lira.....	1,523,805	(2,452,415)	(928,611)
Performing Loans in Foreign Currency.....	20,627	(16,790)	3,837
Total Securities	986,169	(336,531)	649,638
Securities in Turkish Lira.....	1,195,186	(368,738)	826,448
Securities in Foreign Currency.....	(45,207)	(131,603)	(176,810)
Total interest income	2,825,082	(3,100,217)	(275,135)
Interest Expense			
Deposits (other than demand deposits)	1,870,016	(2,178,904)	(308,888)
Deposits in Turkish Lira.....	63,745,965	(64,003,377)	(257,412)
Deposits in Foreign Currency.....	41,400	(92,876)	(51,476)
Funds Borrowed	(48,411)	(26,631)	(75,042)
Funds Borrowers in Turkish Lira	(81,341)	42,121	(39,220)
Funds Borrowed in Foreign Currency.....	(10,090)	(25,732)	(35,822)
Total interest expense	1,821,605	(2,205,535)	(383,930)
Net change in net interest income	1,003,477	(894,682)	108,795

C. Certain Group Information

The following table presents certain selected financial ratios of the Group for the three years ended December 31, 2009, 2010 and 2011. Averages are calculated from quarterly data.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<i>(TL thousands, except percentages)</i>		
Net Profit (attributable to equityholders of the Group).....	2,497,629	2,939,156	2,271,539
Average total assets	118,987,688	139,119,978	168,868,820
Average shareholders' equity ⁽¹⁾	11,813,763	14,570,525	17,147,975
Net Income as a percentage of:			
Average total assets	2.10%	2.11%	1.35%
Average shareholders' equity	21.14%	20.17%	13.25%
Average shareholders' equity as a percentage of average total assets	9.93%	10.47%	10.15%
Dividend pay-out ratio (Bank-only).....	23.2%	23.2%	20.3%

(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 (sales) of securities under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. 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, 2011, the size of the Group's aggregate securities portfolio decreased by 6.0% to TL 48,721 million from TL 51,814 million as of December 31, 2010, which in turn increased 14.9% from TL 45,078 million as of December 31, 2009. In 2010, the Bank's securities portfolio increased as a function of growth in the balance sheet; however, the growth in the loan portfolio was higher than the growth in the securities portfolio. In 2011, 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 TL22,812 million as of December 31, 2011, TL 12,419 million as of December 31, 2010 and TL 13,459 million as of December 31, 2009, comprising 46.8%, 24.0% and 29.9%, 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,		
	2009	2010	2011
		<i>(TL thousands)</i>	
Available-for-sale portfolio.....	30,559,433	36,181,207	33,557,066
Held-to-maturity portfolio.....	13,347,307	14,070,629	13,707,432
Trading portfolio.....	1,171,536	1,562,495	1,456,432
Total.....	45,078,276	51,814,331	48,720,930

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

	As of December 31,		
	2009	2010	2011
		<i>(TL thousands)</i>	
TL-denominated securities.....	32,351,526	40,996,876	37,308,965
Foreign currency-denominated and indexed securities.....	12,726,750	10,817,455	11,411,965
Total securities.....	45,078,276	51,814,331	48,720,930

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

	As of December 31,		
	2009	2010	2011
		<i>(TL thousands)</i>	
Turkish government debt securities ⁽¹⁾	40,999,956	47,388,768	45,108,289
Other marketable debt securities.....	3,944,879	4,107,428	3,388,133
Equity shares.....	133,441	318,135	224,508
Total securities.....	45,078,276	51,814,331	48,720,930

(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, 2011, the size of the Group's investment portfolio decreased by 5.9% to TL 47.3 billion from TL 50.3 billion as of December 31, 2010, which itself was an increase of 14.5% from TL 43.9 billion as of December 31, 2009. The increase in the Group's investment portfolio over 2010 was driven by interest rate reductions by the Central Bank, which reduced the Bank's cost of funds, and the Bank's low inflation expectations, both of which signalled enhanced yield on the Group's securities portfolio. 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 the securities portfolio) in order to meet the increasing demand for loans arising from the solid growth in GDP. 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 2010 and 2011, 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,					
	2009		2010		2011	
	<i>(TL thousands, except percentages)</i>					
Turkish government debt securities ⁽¹⁾	28,014,466	91.67%	32,283,794	89.23%	30,445,391	90.73%
Other marketable debt securities.....	2,501,209	8.18%	3,825,206	10.57%	3,040,788	9.06%
Equity shares.....	43,758	0.14%	72,207	0.20%	70,887	0.21%
Total available-for-sale portfolio	30,559,433	100.00%	36,181,207	100.00%	33,557,066	100.00%

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

As of December 31, 2011, the size of the Group's available-for-sale securities portfolio decreased by 7.3% to TL 33,557,066 thousand from TL 36,181,207 thousand as of December 31, 2010, itself an increase of 18.4% as compared to TL 30,559,433 thousand as of December 31, 2009. In 2010, the Bank's securities portfolio increased as a function of growth in the balance sheet; *however*, the growth in the loan portfolio was higher than the growth in the securities portfolio. In 2011, 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 June 30, 2012 were: (a) for Turkish Lira-denominated securities, 9.33% (8.66% for the year ended December 31, 2011), (b) for US Dollar-denominated securities, 4.80% (4.27% for the year ended December 31, 2011), and (c) for Euro-denominated securities, 4.59% (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 TL-denominated Turkish government bonds and treasury bills, foreign currency-indexed Turkish government bonds, 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,					
	2009		2010		2011	
	<i>(TL thousands, except percentages)</i>					
Turkish government debt securities ⁽¹⁾	12,009,230	89.97%	14,052,833	99.87%	13,686,705	99.85%
Other marketable debt securities.....	1,338,077	10.03%	17,796	0.13%	20,727	0.15%
Total held-to-maturity portfolio	13,347,307	100.00%	14,070,629	100.00%	13,707,432	100.00%

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

As of December 31, 2011, the size of the Group's held-to-maturity securities portfolio decreased by 2.6% to TL 13,707,432 thousand from TL 14,070,629 thousand as of December 31, 2010, itself an increase of 5.42% as compared to TL 13,347,307 thousand as of December 31, 2009. 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 June 30, 2012 was: (a) for Turkish Lira-denominated securities, 13.09% (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,					
	2009		2010		2011	
	<i>(TL thousands, except percentages)</i>					
Turkish government debt securities ⁽¹⁾	976,260	83.33%	1,052,141	67.34%	976,193	67.03%
Other marketable debt securities.....	105,593	9.01%	264,426	16.92%	326,618	22.43%
Equity shares.....	89,683	7.66%	245,928	15.74%	153,621	10.55%
Total trading portfolio	1,171,536	100.00%	1,562,495	100.00%	1,456,432	100.00%

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

As of December 31, 2011, the size of the Group's trading securities portfolio decreased by 6.8% to TL 1,456,432 thousand from TL 1,562,495 thousand as of December 31, 2010, itself an increase of 33.4% as compared to TL 1,171,536 thousand as of December 31, 2009. 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 June 30, 2012 were: (a) for Turkish Lira-denominated securities, 10.99% (10.97% for the year ended December 31, 2011), (b) for US Dollar-denominated securities, 6.83% (7.70% for the year ended December 31, 2011), and (c) for Euro-denominated securities, 3.17% (4.10% for the year ended December 31, 2011).

B. Maturities of Investments

The following tables set out the maturities of the securities in the Group's securities portfolio (excluding equity shares but including accrued interest) as of year-end 2011.

	As of December 31, 2011				
	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
	<i>(TL thousands)</i>				
Available-for-sale securities ...	6,860,882	12,550,007	12,867,398	1,098,842	33,377,129
Held-to-maturity securities	3,064,244	10,622,359	20,829	-	13,707,432
Trading securities.....	260,208	731,297	136,182	1,517	1,129,204
Total	10,185,334	23,903,663	13,024,409	1,100,359	48,213,765

C. Investment Concentrations

As of December 31, 2011, 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, 2011, the Group's TL 45,108,289 thousand of Turkish government securities represented 222.09% of the Group's shareholders' equity.

D. Equity Participations and Investments in Associates

The regulation on the "Communiqué Related to the Preparation of Consolidated Financial Statements of Banks," published in the Official Gazette dated November 8, 2006 Nr. 26340 was amended by the "Communiqué on Changing the Communiqué Related to the Preparation of Consolidated Financial Statements of Banks," which was published in the Official Gazette dated January 23, 2011 Nr. 27824. Within the framework of this amending regulation, the Bank's subsidiaries Camış

Menkul Değerler A.Ş., İş Factoring Finansman Hizmetleri A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., İş Portföy Yönetimi A.Ş., İş Yatırım Ortaklığı A.Ş., Maxis Securities Ltd., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., TSKB Yatırım Ortaklığı A.Ş. and Yatırım Finansman Menkul Değerler A.Ş., which are qualified as credit institutions or financial institutions and whose assets do not exceed one percent of the Bank's total assets or whose share totals do not exceed five percent of the Bank's total assets and that were not consolidated prior to December 31, 2009, have been consolidated since December 31, 2010. In addition, Efes Varlık Yönetim A.Ş. and Is Invest Gulf Ltd., which commenced their operations in February and July 2011, respectively, and İşbank Russia, which was acquired in April 2011, have been consolidated since such dates. There are no subsidiaries qualified as credit institutions or financial institutions excluded from consolidation. 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, 2011, the Group's total cash loans net of allowance for possible losses equaled TL 99 billion, or 53.8% of total assets (when including non-cash loans, TL 126.2 billion, representing 68.63% of total assets). In addition to loans, the Group had outstanding as of December 31, 2011 guarantees amounting to TL 19.9 billion, acceptances amounting to TL 500 million and letters of credit amounting to TL 5.8 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, 2011, the Group's net cash total loans and advances to customers, less allowance for possible losses, amounted to TL 99.0 billion, which represented 53.8% of the Group's total assets, compared to TL 69.1 billion (45.80% of the Group's total assets) as of December 31, 2010 and TL 52.8 billion (40.9% of the Group's total assets) as of December 31, 2009. The Group's portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 43.36% as of December 31, 2011 compared to year-end 2010 after having increased by 30.93% in 2010. The contribution of foreign currency-denominated loans to these increases was much higher than that of Turkish Lira-denominated loans in both 2010 and 2011 – foreign exchange-denominated loans grew by 42.9% and 62.2% in 2010 and 2011, respectively, whereas Turkish Lira-denominated loans grew by 25.4% and 33.4% in 2010 and 2011, respectively. Appreciation in the value of foreign exchange also contributed to foreign exchange-denominated loan growth in 2010 and 2011. When the impact of the appreciation in foreign exchange is excluded, the increase in foreign exchange-denominated loans in 2010 and 2011 diminishes to 38.2% and 32.9%, respectively.

As of December 31, 2011, the average effective interest rates charged to borrowers were 4.50% for US Dollars, 5.12% for Euros and 13.99% for Turkish Lira (3.70%, 4.42% and 12.89% and 3.41%, 5.02% and 16.42% as of December 31, 2010 and 2009, 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.

	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
	<i>(TL thousands, except percentages)</i>					
Public Sector Loans	1,525,045	2.89%	1,866,916	2.70%	2,165,841	2.19%
Private Sector Loans	51,235,395	97.11%	67,210,888	97.30%	96,862,281	97.81%
Total Loans	52,760,440	100.00%	69,077,804	100.00%	99,028,122	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, 2011, the Bank's loan portfolio comprised 49.3% corporate (as defined by the Corporate Definition), 22.3% SME (as defined by the BRSA SME Definition), 20.8% consumer and 7.5% credit card loans.

Sector of Loans. The following table shows the breakdown of the Group's loan portfolio by sector as of the dates indicated.

	As of December 31,					
	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
	<i>(TL thousands, except percentages)</i>					
Consumer loans and credit cards	14,917,445	28%	19,555,341	28%	25,396,253	26%
Mortgage.....	4,303,558	8%	6,279,490	9%	7,945,006	8%
Automobile	822,792	1%	882,042	1%	1,148,993	1%
General Purpose.....	5,219,383	10%	7,110,657	10%	9,678,264	10%
Retail Credit Cards.....	4,571,712	9%	5,283,152	8%	6,623,990	7%
Agriculture.....	644,898	1%	674,835	1%	926,153	1%
Farming and Stockbreeding	542,426	1%	540,872	1%	764,526	1%
Forestry	71,826	0%	94,065	0%	111,629	0%
Fishery	30,646	0%	39,898	0%	49,998	0%
Industry.....	14,063,689	27%	18,929,135	27%	28,113,807	28%
Mining and Quarrying.....	821,534	2%	413,241	1%	671,406	1%
Manufacturing.....	10,691,121	20%	14,584,590	21%	20,638,107	20%
Electricity, Gas, Water.....	2,551,034	5%	3,931,304	5%	6,804,294	7%
Construction	2,655,880	5%	3,346,304	5%	5,164,107	5%
Services.....	18,323,324	35%	24,450,671	35%	36,533,847	37%
Wholesale and Retail Trade	7,382,220	14%	9,572,247	14%	13,874,891	14%
Hotel and Restaurant Services	807,097	1%	1,113,000	2%	2,209,086	2%
Transportation and Communication.....	4,765,687	9%	5,329,239	8%	8,368,998	9%
Financial Institutions.....	2,605,450	5%	4,264,726	6%	4,969,885	5%
Real Estate and Rental Services.....	1,153,852	2%	2,317,024	3%	4,074,087	4%
Self-Employed Services.....	836,280	2%	964,109	1%	1,953,465	2%
Educational Services.....	352,217	1%	397,087	0%	463,861	0%
Health and Social Services.....	420,521	1%	493,239	1%	619,574	1%
Other	2,155,204	4%	2,121,518	4%	2,893,955	3%
Performing Loans	52,760,440	100%	69,077,804	100%	99,028,122	100%
Leasing Receivables.....	931,016		963,265		1,376,390	
Non-performing Loans.....	2,817,823		2,463,597		2,109,419	
Total Loans and Advances to Customers....	56,509,279		72,504,666		102,513,931	
Allowance for Loan Losses.....	(2,817,823)		(2,463,597)		(2,109,419)	
Net Loans and Advances to Customer	53,691,456		70,041,069		100,404,512	

Geographic Region of Loans. For each of 2009, 2010 and 2011, the share of domestic Turkish loans was approximately 97%. 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,					
	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
	<i>(TL thousands, except percentages)</i>					
Aegean Region.....	4,076,643	7.72%	6,328,484	9.16%	8,912,877	9.00%
Black Sea Region.....	1,956,934	3.71%	2,941,094	4.26%	3,936,698	3.98%
Central Anatolia Region.....	8,115,433	15.38%	12,606,210	18.25%	19,095,771	19.28%
Eastern Anatolia Region.....	700,927	1.33%	1,040,284	1.51%	1,459,780	1.47%
Marmara Region.....	24,020,102	45.53%	31,034,960	44.92%	44,671,083	45.11%
Mediterranean Region.....	3,566,213	6.76%	5,567,809	8.06%	8,640,521	8.73%
Southeastern Anatolia Region.....	1,198,835	2.27%	2,066,191	2.99%	3,269,489	3.30%
International.....	9,125,353	17.30%	7,492,772	10.85%	9,041,903	9.13%
Total Performing Loans.....	52,760,440	100.00%	69,077,804	100.00%	99,028,122	100.00%
Non-Performing Loans.....	2,817,823		2,463,597		2,109,419	
Total Loans.....	55,578,263		71,541,401		101,137,541	
Allowance for Loan Losses.....	2,817,823		2,463,597		2,109,419	
Total Net Loans.....	52,760,440		69,077,804		99,028,122	

Currency of Loans. As of December 31, 2011, foreign currency risk-bearing loans comprised 43.79% of the Group's loan portfolio (of which U.S. Dollar-denominated obligations were the most significant), compared to 39.6% as of December 31, 2010 and 37.44% as of December 31, 2009.

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,					
	2009		2010		2011	
	(TL thousands, except percentages)					
<i>Cash Loans</i>						
Turkish Lira	36,093,418	54.67%	45,265,560	52.94%	60,393,116	47.84%
Foreign Currency	16,667,022	25.24%	23,812,244	27.85%	38,635,006	30.61%
US Dollars	10,827,988	16.40%	15,561,571	18.20%	25,570,211	20.26%
Euro	5,707,793	8.64%	8,105,126	9.48%	12,519,927	9.92%
Other.....	131,241	0.20%	145,547	0.17%	544,868	0.43%
Total Cash Loans	52,760,440	79.91%	69,077,804	80.79%	99,028,122	78.45%
<i>Non-cash Loans</i>						
Letters of Guarantee	9,952,646	15.07%	12,464,904	14.57%	19,924,273	15.78%
Turkish Lira.....	5,274,031	7.99%	6,856,759	8.02%	10,195,804	8.07%
Foreign Currency.....	4,678,615	7.08%	5,608,145	6.55%	9,728,469	7.71%
Acceptance Credits	151,195	0.23%	211,538	0.25%	500,455	0.40%
Turkish Lira.....	2,997	0.00%	3,922	0.00%	3,628	0.00%
Foreign Currency.....	148,198	0.23%	207,616	0.25%	496,827	0.40%
Letters of Credit	2,775,336	4.20%	3,380,888	3.95%	5,761,529	4.56%
Turkish Lira.....	—	0.00%	—	0.00%	—	0.00%
Foreign Currency.....	2,775,336	4.20%	3,380,888	3.95%	5,761,529	4.56%
Other Guarantee	387,291	0.59%	372,685	0.44%	1,021,974	0.81%
Turkish Lira.....	127,606	0.19%	32,811	0.04%	40,835	0.03%
Foreign Currency.....	259,685	0.40%	339,874	0.40%	981,139	0.78%
Total Non-cash Loans	13,266,468	20.09%	16,430,015	19.21%	27,208,231	21.55%
Total Loans	66,026,908	100.00%	85,507,819	100.00%	126,236,353	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 TL-denominated loans. Retail loans, which are a growing portion of the Group's total loans, are generally denominated in Turkish Lira; *however*, the Bank's management believes that investment loans, which are longer term loans, are likely to remain 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 TL-denominated retail loans was 45 months as of December 31, 2011; *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, 2011, the Group's loans with remaining maturities over one year but through five years and over five years composed 37.2% and 10.1%, 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 %
<i>Cash Loans</i>						
December 31, 2009.....	31,322,903	18,643,055	2,794,482	52,760,440	49.11%	50.89%
December 31, 2010 ⁽¹⁾	37,677,869	25,147,680	6,583,575	69,409,124	54.58%	45.42%
December 31, 2011 ⁽¹⁾	52,468,264	36,955,939	10,008,572	99,432,775	53.41%	46.59%

(1) Includes factoring receivables.

	1 year or less	After 1 year	Total
<i>Guarantees</i> ⁽¹⁾		<i>(TL thousands)</i>	
December 31, 2009.....	11,169,702	2,096,766	13,266,468
December 31, 2010.....	11,849,974	4,580,041	16,430,015
December 31, 2011.....	19,865,153	7,343,078	27,208,231

(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.

The Bank's policy is to provide fully (at a rate of 100%) for its non-performing loan portfolio; *however*, on September 20, 2012 the Bank announced that its board of directors authorized the Bank's management to change this policy to one that only need comply with the provisioning levels required by law; *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 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 June 30, 2012, 8.8%, 16.1% and 75.1% 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 Bank's management is analyzing what changes to make as a result of this authorization, including when considered in the context of each borrower's collateral and NPL category. Should the Bank determine to follow legal requirements, then (as specific provisions result in a booking of an expense) such a reduction in provisions would result in a corresponding increase in the Bank's capital levels. 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 2.1% of total loans of the Group as of December 31, 2011.

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,		
	2009	2010	2011
		<i>(TL thousands)</i>	
Non-performing	2,817,823	2,463,597	2,109,419
Past due but not impaired.....	1,094,193	727,849	715,446
Loans with renegotiated terms	1,146,733	782,208	1,317,855
Total	5,058,749	3,973,654	4,142,720

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, 2011, 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 caused the Bank’s management to have serious doubts as to the ability of the applicable borrower(s) to comply with the 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, 2011, 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, 2011, the gross cash loans to the Bank’s ten largest group customers represented approximately 16.6% of its gross loan portfolio, compared to 18.0% as of December 31, 2010 and 19.2% as of December 31, 2009. 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, 2011, 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, 2011, 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 2,109,419 thousand, TL 2,463,597 thousand and TL 2,817,823 thousand as of December 31, 2011, 2010 and 2009, respectively. The Group’s ratios of non-performing loans to total cash loans and to total cash and non-cash loans were 2.1% and 1.67%, 3.4% and 2.88%, and 5.1% and 4.27%, respectively, as of December 31, 2011, 2010 and 2009.

NPL Loan Portfolio by Loan Type

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<i>(TL millions)</i>		
Corporate ⁽¹⁾ /SME ⁽²⁾	1,726	1,381	1,271
Consumer	444	392	259
Credit Card.....	543	556	385
Overdraft ⁽³⁾	34	35	24
Other/Miscellaneous Receivables	21	43	45
Total	<u>2,768</u>	<u>2,407</u>	<u>1,984</u>

(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:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
		<i>(TL thousands)</i>	
Balances at beginning of year	2,247,381	2,817,823	2,463,597
Additions.....	1,992,954	1,005,720	988,063
Collections	991,043	1,082,587	1,089,122
Write-offs.....	431,469	277,359	253,119
Balances at end of year	<u>2,817,823</u>	<u>2,463,597</u>	<u>2,109,419</u>

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:

	<u>As of December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
		<i>(TL thousands)</i>	
Cash	374,763	602,065	1,142,143
Non-cash commitments and contingencies...	54,079	78,496	119,374
Total	<u>428,842</u>	<u>680,561</u>	<u>1,261,517</u>

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

	<u>As of December 31,</u>								
	<u>2009</u>			<u>2010</u>			<u>2011</u>		
Risk Category	<u>NPLs</u>	<u>Total Provision</u>	<u>% Reserved</u>	<u>NPLs</u>	<u>Total Provision</u>	<u>% Reserved</u>	<u>NPLs</u>	<u>Total Provision</u>	<u>% Reserved</u>
Doubtful.....	1,398,777	1,398,777	100.00%	161,287	161,287	100.00%	213,790	213,790	100.00%
Substantial	474,859	474,859	100.00%	303,735	303,735	100.00%	209,079	209,079	100.00%
Loss	944,187	944,187	100.00%	1,998,575	1,998,575	100.00%	1,686,550	1,686,550	100.00%
Total loans classified	<u>2,817,823</u>	<u>2,817,823</u>	<u>100.00%</u>	<u>2,463,597</u>	<u>2,463,597</u>	<u>100.00%</u>	<u>2,109,419</u>	<u>2,109,419</u>	<u>100.00%</u>
Gross loans	55,578,263	55,578,263		71,541,401	71,541,401		101,137,541	101,137,541	
Cash loans, net	52,760,440	52,760,440		69,077,804	69,077,804		99,028,122	99,028,122	

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 67.40% of the Bank's total Turkish Lira deposits as of December 31, 2011. 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 11.4% in 2011, which was lower than the sector average, and topped TL 98.3 billion as of December 31, 2011.

As of December 31, 2011, the Bank's customers in Turkey held more deposits with the Bank in Turkish Lira than in foreign currency, with 38.6% of the Bank's total deposits being foreign currency deposits (19.6% denominated in US Dollars (50.7% of total foreign currency deposits) and 14.9% denominated in Euro (38.5% 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 Bank has benefited from this growth by raising its bank-only market share in TL Deposits from 13.5% as of December 31, 2009 to 14.0% as of December 31, 2010 to 13.4% as of December 31, 2011.

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

	As of December 31,					
	2009		2010		2011	
	<i>(TL thousands, except percentages)</i>					
Turkish Lira deposits	43,684,501	43.5%	58,510,364	50.5%	59,387,345	41.3%
Foreign currency deposits	28,370,471	28.3%	29,966,255	25.8%	39,444,651	27.4%
Interbank funds	13,472,637	13.4%	12,969,586	11.2%	22,472,982	15.6%
Funds borrowed ⁽¹⁾	14,798,944	14.8%	14,478,819	12.5%	22,553,045	15.7%
Total	100,326,553	100.0%	115,925,024	100.0%	143,858,023	100.0%

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

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 account 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, 2011, the Group's total deposits were TL 98.8 billion, as compared to TL 88.5 billion as of December 31, 2010 and TL 72.1 billion as of December 31, 2009. 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,					
	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
	<i>(TL thousands, except percentages)</i>					
Savings deposit in Turkish Lira	30,038,275	35.59%	38,274,219	38.31%	40,663,642	34.08%
Demand	3,338,969		4,518,478		5,005,140	
Time	26,699,306		33,755,741		35,658,502	
Foreign currency deposits⁽¹⁾	27,192,550	32.22%	28,773,370	28.80%	37,920,522	31.78%
Demand	4,561,139		5,323,348		8,775,773	
Time	22,631,411		23,450,022		29,144,749	
Funds deposited under repurchase agreements...	12,344,606	14.63%	11,429,966	11.44%	20,497,152	17.18%
Commercial deposits	7,593,278	9.00%	10,986,940	11.00%	10,732,493	8.99%
Demand	2,823,931		4,008,693		4,521,788	
Time	4,769,347		6,978,247		6,210,705	
Bank deposits	1,964,566	2.33%	2,727,151	2.73%	2,377,727	1.99%
Demand	224,532		279,454		270,076	
Time	1,740,034		2,447,697		2,107,651	
Other	5,266,303	6.23%	7,714,939	7.72%	7,137,612	5.98%
Demand	483,711		558,920		481,654	
Time	4,782,592		7,156,019		6,655,958	
Total	84,399,578	100.00%	99,906,585	100.00%	119,329,148	100.00%

(1) Excluding bank deposits

As of December 31, 2011, the average effective interest rates applied to customer deposits were 3.41% for US Dollars, 2.78% for Euros and 8.45% 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,		
	2009	2010	2011
	<i>(TL thousands)</i>		
Demand deposits.....	11,432,282	14,688,893	19,054,431
Time deposits.....	72,967,296	85,217,692	100,274,717
Total.....	84,399,578	99,906,585	119,329,148

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
		<i>(TL thousands)</i>		
December 31, 2009.....	63,908,682	4,270,376	3,875,914	72,054,972
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

⁽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:

	2009	2010	2011
	<i>(TL thousands, except percentages)</i>		
Net income.....	2,752,304	3,231,694	2,389,368
Average total assets ⁽¹⁾	118,987,688	139,119,978	168,868,820
Average shareholders' equity ⁽¹⁾	11,813,763	14,570,525	17,147,975
Average shareholders' equity as a percentage of quarterly average total assets..	9.93%	10.47%	10.15%
Return on average total assets ⁽²⁾	2.10%	2.11%	1.35%
Return on average shareholders' equity ⁽³⁾	21.14%	20.17%	13.25%

(1) Averages are calculated as the average of the quarter-end amounts for the applicable year.

(2) Net income for the period as a percentage of average total assets excluding minority interest.

(3) Net income as a percentage of average shareholders' equity excluding minority interest.

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.

As of June 30, 2012, the Bank was the largest bank in Turkey in terms of total asset size (source: Turkish Banks Association). The Bank had the largest market shares of total deposits, Turkish Lira-denominated deposits, demand deposits, total loans, Turkish Lira-denominated loans, consumer loans and number of debit cards and volume of debit card transactions among private sector banks on a bank-only basis (source: 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 June 30, 2012, the Group had total assets of TL 189,217 million, an increase of 2.9% from TL 183,936 million as of December 31, 2011, itself a 25.5% increase from TL 150,811 million as of December 31, 2010, a further increase of 46.8% from TL 128,916 million as of December 31, 2009. As of June 30, 2012, the Group had total deposits of TL 99,881 million, an increase of 1.1% from TL 98,832 million as of December 31, 2011, which was a 12.9% from TL 88,477 million as of December 31, 2010, itself a 38.6% increase from TL 72,055 million as of December 31, 2009.

As of June 30, 2012, the Group had total shareholders' equity of TL 21,839 million, an increase of 7.5% from TL 20,311 million as of December 31, 2011, which increased 15.0% from TL 18,987 million as of December 31, 2010, itself a 42.7% increase from TL 15,306 million as of December 31, 2009.

For the six months ended June 30, 2012, the Group's net profit was TL 1,789 million, an increase of 48.75% compared to TL 1,202 million for the same period in 2011. For the year ended December 31, 2011, the Group's net profits were TL 2,389 million, a decrease of 26.1% from TL 3,232 million in 2010. The Group's net profits increased by 17.4% in 2010 compared to TL 2,752 million in 2009.

For the six month period ended June 30, 2012, the Group's net interest income was TL 3,129 million, an increase of 20.9% compared to TL 2,588 million for the same period in 2011. For the year ended December 31, 2011, the Group's net interest income was TL 5,417 million, an increase of 0.1% from TL 5,411 million in 2010, itself a 5.6% decrease from TL 5,740 million in 2009.

As of the date of this Offering Circular, the Bank's shares are quoted at the Istanbul Stock Exchange (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 (the "LSE") in the form of Global Depositary Receipts. As of June 30, 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 CHP. The remaining 31.18% was traded publicly on the İSE and the LSE. As of June 30, 2012, the Bank was the fourth largest corporation listed on the İSE by market capitalization, with a market capitalization of TL 21,672 million, which represented 6.0% of the total market capitalization of the İSE-100 Index.

As of June 30, 2012, the Bank had the largest network of branches among private banks in Turkey, with 1,197 domestic branches covering every city (source: Turkish Banks Association). The Bank also has an international presence through its own London, Arbil (Iraq), Bahrain and (as of July 23, 2012) Batumi, Georgia branches; through İşbank AG, a wholly-owned subsidiary with 12 branches in Germany and one branch in each of The Netherlands, France, Switzerland and Bulgaria; and through CJSC İşbank, a wholly-owned subsidiary with 15 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 June 30, 2012, the Bank had a direct equity interest in 26 companies, four 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 June 30, 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 6,444 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 1,197 domestic branches, 17 international branches and 4,641 domestic ATMs (in each case as of June 30, 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 the first half of 2012, the Bank opened 13 domestic branches, and the Bank is currently planning on opening a total of 47 domestic branches during 2012 with a similar amount of additional new domestic branches being opened in 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 48,335 million as of December 31, 2009 to TL 64,232 million as of December 31, 2010, TL 91,621 million as of December 31, 2011 and TL 98,222 million as of June 30, 2012, a compound annual growth rate of 32.8% as compared to the Turkish banking sector's total loan portfolio compound annual growth rate during that period of 28.7% (source: BRSA). The Bank's total deposits grew from TL 72,177 million as of December 31, 2009 to TL 88,260 million as of December 31, 2010, TL 98,313 million as of December 31, 2011 and TL 99,433 million as of June 30, 2012, resulting in a compound annual growth rate of 13.7% while the growth in the Turkish banking sector for the same period was 14.0% (source: BRSA).

Strong Liquidity and Capital Structure with Conservative Funding Policy

The Group has a strong capital structure, with shareholders' equity of TL 21.8 billion and a capital adequacy ratio of 14.4% as of June 30, 2012 (under BRSA) (13.1% calculated using Tier I capital only); *however*, such capital adequacy ratio calculations would differ were Basel II then in effect. 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 27.9% and loan-to-deposit ratio of 106.1% as of June 30, 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 8.4 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 38.6% from TL 72 billion as of December 31, 2009 to TL 100 billion as of June 30, 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 165,608 million as of June 30, 2012, resulting in a compound annual growth rate of 16.4%. The Bank's return on average assets of its banking business* was 2.1% in 2009, 2.2% in 2010, 1.5% in 2011 and 1.6% in the first six months of 2012 and the return on average equity of its banking business** was 28.9%, 28.6%, 20.3% and 21.2% 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 88 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 June 30, 2012, 81% 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 14.2 million retail customers, nearly 6,000 corporate customers and almost 856,000 commercial customers as of June 30, 2012. The Bank has the largest deposit base among private banks with TL 99,433 million in deposits as of June 30, 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 city centers, the Bank also has branches in rural districts. In particular, in 76 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 June 30, 2012, the Bank's customers have held accounts with the Bank for an average of 8.4 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 38 specialized commercial branches. The Bank has

* Calculated as (Net Income– Dividend Income)/Average (Total Assets–Equity Participations–Dividend Income). The Net Income figure is annualized for the first six months of 2012. Averages are based upon year-end and period-end figures.

**Calculated as (Net Income– Dividend Income)/Average (Shareholders' Equity–Equity Participations–Dividend Income). The Net Income figure is annualized for the first six months of 2012. Averages are based upon year-end and period-end figures.

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.

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 June 30, 2012 at a compound annual growth rate of 32.8%. 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 June 30, 2012, 49% of the Bank's total loan portfolio was comprised of loans to corporate (as defined by the Corporate Definition) customers, with 22%, 8% and 21% comprised of loans to SMEs (as defined by the BRSA SME Definition), retail credit cards and consumer loans, respectively. The Bank's consumer loans are further broken down into general purpose consumer loans (including overdraft accounts), housing loans and auto loans, comprising 52%, 42% and 6% of total consumer loans, respectively, as of June 30, 2012. The Bank's loan portfolio is also diversified among sectors, with the largest share (in energy) representing no more than 12.8% of the Bank's loan portfolio as of June 30, 2012. In addition, the Bank has sought to limit exposure to any single borrower and no exposure to a single borrower was greater than 1.67% 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 23% as of June 30, 2012. Moreover, as of June 30, 2012, 53.3% 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 and including the establishment of conservative provisioning policies. 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 2011, the Bank grew its loan portfolio by 42.6% and maintained NPL ratios of 1.9%, 2.1%, 3.6% and 5.4% as of June 30, 2012 and December 31, 2011, 2010 and 2009, respectively, in line with the Turkish banking sector's NPL ratios of 2.7%, 2.7%, 3.7% and 5.3% (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 1.42% as of June 30, 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 that allows customers to access their accounts by using two of the following three items: their pin number, card and biometric data. With this system, customers are able to make use of ATMs without ATM 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 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

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 60, 54, 63 and 13 new branches across Turkey in 2009 (ten branches were consolidated with other branches in 2009), 2010 (five branches were consolidated with other branches in 2010), 2011 (six branches were consolidated with other branches in 2011) and the first six months of 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 total loans to GDP in 2011 of 53% compared to the EU-27 average of 194%, total assets to GDP of 94% compared to the EU-27 average of 367% and 14 branches per 100,000 persons compared to the EU-27 average of 43 (source: Eurostat, European Banking Federation, TurkStat, BRSA. Note: Number of branches figures are 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 90 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 June 30, 2012, approximately 7.6 million customers were actively using the Bank's alternative delivery channels, accounting for approximately 77.25% of the Bank's total consumer banking transactions during the first six months of 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.

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 laws of Turkey. 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 KGS-OGS (Turkey’s highway toll collection system),
- *private banking activities*: in addition to its retail banking products and services, structured products, Privia credit cards, Privia consumer loans, Privia mutual funds and Privia individual pension accounts 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 Participants.” 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:

<u>Banking Services</u>	<u>Financial Participations</u>	<u>Non-Financial Participations</u>
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 Banking Product division and the Marketing & Sales division. The Corporate Banking business unit provides a full range of corporate banking 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 June 30, 2012, the Corporate Banking business unit accounted for TL 40.5 billion (38.2% of the Group's total loans) and TL 20.2 billion (20.2% of the Group's total deposits). As of June 30, 2012, the Corporate Banking business unit operated through 10 specialized branches, four corporate and one multinational branches 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. 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 June 30, 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, greenfield infrastructure and energy deals and industrial plants in various sectors such as mining and metals, cement, food products, electromechanical equipment and marine finance. 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 three projects with an estimated total loan value of US\$363 million in the six months ended June 30, 2012 and loans related to financing 41 projects with an estimated total loan value of US\$3.6 billion in the year ended December 31, 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 Çatalağzı 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.

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.

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 June 30, 2012, the Bank had nearly 856,000 commercial banking customers.

As of June 30, 2012, the Commercial Banking business unit accounted for TL 38.4 billion (or 36.2%) of the Group's total loans and TL 20.0 billion (or 20.0%) 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 support packages for the following industry

sectors: energy efficiency and environment, export, plastics, furniture, logistics, tourism, automotive by-products, innovation and machinery production.

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 29% as of June 30, 2012 (source: BRSA). The Bank also supports the agricultural sector through specially designed credit products such as tractor and agricultural equipment loans. 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 June 30, 2012, 38 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 June 30, 2012, the Bank had agreements with 134 chambers of commerce and industry and 16 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 June 30, 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 June 30, 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 June 30, 2012, the Bank had approximately 14.2 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 June 30, 2012, the Retail Banking business unit accounted for TL 24.4 billion (or 23.0%) of the Group's total loans and TL 39.3 billion (or 39.4%) 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-KGS 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 21,000 employers providing for the direct deposit of paychecks to approximately 1.1 million employee accounts maintained with the Bank, as of June 30, 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 8.1 million for the first six months of 2012, compared with 7.5 million for the comparable period of 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 June 30, 2012, the value of funds held in the Bank’s retail overdraft accounts was TL 280 million.

Consumer Lending. As of June 30, 2012, the Group’s total consumer loans (excluding overdrafts), which are composed of general purpose loans, auto loans and housing loans, amounted to TL 20,418 million. General purpose loans amounted to TL 10,657 million (52%), auto loans amounted to TL 1,250 million (6%) and housing loans amounted to TL 8,512 million (42%).

As of June 30, 2012, according to BRSA data, on a bank-only basis, the Bank’s market share of the consumer loan market was 11.8%, with a market share of 11.7% related to housing loans, 17.6% 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.

The Bank’s housing loan appraisal procedure for collateral varies according to the credit amount applied for. The Bank’s internal appraisal branch manager values the collateral for credit applications up to TL 50,000. Professional appraisal firms are used to value collateral for credit applications up to TL 99,999, and only those firms that have been licensed by the CMB are used to value property for credit applications exceeding TL 100,000. Finally, for credit applications exceeding TL 150,000, the Bank’s Construction and Real Estate Department values the 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 13 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 99,881 million as of June 30, 2012. Deposits accounted for 52.8% of the Group's total liabilities as of June 30, 2012, as compared to 53.7% as of December 31, 2011. As of June 30, 2012, Turkish Lira-denominated deposits accounted for approximately 57.1% of the Group's total deposits, while foreign currency-denominated deposits accounted for approximately 42.9%.

The Bank has the largest market share of deposits among private banks in Turkey on a bank-only basis, with 13.8% of total deposits as of June 30, 2012, 14.2% as of December 31, 2011, 14.4% as of December 31, 2010 and 14.3% as of December 31, 2009 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 ("TRLIBID").

As of June 30, 2012, the Bank had the largest market share among private banks in Turkey in terms of total deposits, Turkish Lira deposits, demand deposits and Turkish Lira savings deposits with market shares of 13.8%, 12.6%, 15.2% and 14.0%, respectively, on a bank-only basis.

As of June 30, 2012, the total value of the Group's deposits reached TL 99,881 million, with demand deposits accounting for 19.0% and all other deposits accounting for the remaining 81.0%. In terms of Turkish Lira-denominated saving deposit accounts, the Bank's market share decreased from 15.1% as of December 31, 2011 to 14.0% as of June 30, 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 19.2% as of December 31, 2011 and June 30, 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 June 30, 2012, the Bank had the largest market share in terms of numbers of debit cards among private banks in Turkey and, as of June 30, 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" ("EMV") rules.

As of June 30, 2012, the Bank had nearly 6 million credit cards in issue to its own customers, representing approximately 11.0% of the total Turkish credit card market by issuance volume and approximately 13.1% by number of

cards outstanding; 9.3 million debit cards, representing approximately 10.7% of the Turkish debit card market; and 256,375 point-of-sale terminals, representing approximately 12.5% of the total Turkish market, each according to the Interbank Card Center. As of June 30, 2012, the Bank, with a 13.3% 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 June 30, 2012, the Bank provides six 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) and MaxiPara Unpersonalized Card (for corporate use).

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 June 30, 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 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 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 41%, 38%, 34% and 39% of total gross fees and commissions income in the first six months of 2012 and full year 2011, 2010 and 2009, 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 June 30, 2012, the Private Banking business unit accounted for TL 0.4 billion (or 0.4%) of the Group’s total loans and TL 17.6 billion (or 17.6%) 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, Antalya and Adana, and through private banking divisions set up at 22 branches in Ankara, İstanbul, İzmir, Bursa, Mersin and Hatay as of June 30, 2012. In addition, in 87 of the Bank’s branches, private banking customer relationship representatives provide services 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 June 30, 2012, the total value of the securities portfolio that the Bank manages for its customers was valued at TL 41,751 million, an increase of 20.13% from TL 34,756 million as of December 31, 2011 (TL 37,498 million as of December 31, 2010 and TL 32,135 million as of December 31, 2009).

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 June 30, 2012, the Bank had 10.4 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 23.7% of the Turkish market as of June 30, 2012 on a bank-only basis, totalling TL 16,742 million in fixed income securities under custody (source: BRSA). According to İSE data, as of June 30, 2012, the Bank claimed first place in the İSE, with a 23.4% 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, floating rate notes and foreign currency-denominated bonds. 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 and 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 22% as of June 30, 2012, totalling TL 6,444 million (source: Rasyonet). The Bank offers 35 mutual funds catering to a wide range of risk and return profiles. As of June 30, 2012, the Bank had 833,095 investors, up from 801,000 as of December 31, 2011 and 693,003 as of December 31, 2010.

As of June 30, 2012, the Bank had 27 Type-B funds, 12 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 5.9 billion, achieving a 21.39% 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 4.8 billion, making the Bank the largest fund in the Turkish mutual funds market according to Rasyonet. Meanwhile, as of June 30, 2012, the portfolio size of the Bank's Type-A Funds was TL 501 million and the Bills and Bonds Funds was TL 441 billion.

The İşbank Moneybox Fund was the first fund in Turkey to be geared towards children. As of June 30, 2012, the Bank had six equity ("Type-A") mutual funds. As of June 30, 2012, the İşbank Moneybox Fund was the largest Type-A fund in Turkey with 235,000 investors and a portfolio size of over TL 303 million, and the İşbank Affiliate Fund was the third largest Type-A fund in Turkey with a portfolio size of TL 89 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 June 30, 2012, this fund had 1,336 investors and a portfolio size of TL 8.4 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 June 30, 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 one of 86 active members of the İstanbul Gold Exchange, established in 1995. The Bank’s management believes that as of June 30, 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 June 30, 2012, the Bank held a total of 41.34 tons in gold for 366,205 customers. The Bank trades gold on the İstanbul Gold Exchange 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 June 30, 2012, according to figures of CMB, the Bank had the largest market share of 22.0% in the mutual funds market with TL 6.4 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 13 countries with branches, representative offices and two financial subsidiaries having a total of 49 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) and (since July 23, 2012) Batumi (Georgia). 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 Pristina (Kosovo) and Baghdad.

As of June 30, 2012, the Bank’s network of correspondent banks comprised more than 1,500 banks in 127 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\$59 billion and outgoing foreign currency transfers of US\$35.5 billion during the first six months of 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 with a market share in trade finance of more than 10% according to June 2012 data from TurkStat. As part of its international banking activities, the Bank acted as the financial intermediary in connection with approximately US\$17.2 billion of import and US\$14.9 billion of export transactions in 2010 and handled approximately US\$22.6 billion of import and US\$19 billion of export transactions in 2011. For the first six months of 2012, the Bank handled US\$12 billion of import transactions and US\$9 billion of export transactions. 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 June 30, 2012, the Group's total securities portfolio was valued at TL 46,545 million, a decrease of 4.5% from TL 48,721 million as of December 31, 2011 (TL 51,814 million and TL 45,078 million as of December 31, 2010 and 2009, respectively).

As of June 30, 2012, the Bank's securities portfolio was comprised of Turkish Lira-denominated floating rate securities (48.2%), Turkish Lira-denominated discount and fixed securities (34.1%), foreign currency-denominated discount and fixed securities (13.5%) and foreign currency-denominated floating securities (4.3%). Turkish government bonds and Turkish government treasury bills constituted approximately 95.5% of the Bank's total securities portfolio as of June 30, 2012. Moreover, approximately 69.3% of the Bank's total securities portfolio was classified as "available for sale" as of June 30, 2012. On average, the Bank holds its Turkish Lira-denominated securities for approximately one year and its foreign currency-denominated securities for approximately 3 to 4 years.

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 291 companies and, over time, has divested shares in 265 of these companies. As of June 30, 2012, the Bank held direct equity interests in 26 companies operating in finance, glass, telecommunications and other industrial and services sectors, of which four companies are classified as available-for-sale securities. As of June 30, 2012, the total book value of the Bank's equity participations was TL 6,994 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 June 30, 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%	5,702,876 ⁽³⁾	948,166 ⁽³⁾	20.50% ⁽¹⁾
İşbank AG	Banking	100.00%	100.00%	1,229,114	136,945	N/A
CJSC İşbank.....	Banking	100.00%	100.00%	155,747	22,583	N/A
Anadolu Anonim Türk Sigorta Şirketi	Non-Life Insurance	-	57.31%	1,351,751	423,698	13.49% ⁽²⁾
	Life Insurance &					
Anadolu Hayat Emeklilik A.Ş.	Private Pension	62.00%	83.00%	3,537,945	247,338	12.80% ⁽²⁾
Milli Reasürans T.A.Ş.	Reinsurance	76.64%	77.06%	942,193	307,047	19.14% ^{(2)(*)}
İş Yatırım Menkul Değerler A.Ş. ⁽³⁾	Brokerage House	65.65%	70.69%	1,949,347 ⁽³⁾	410,398 ⁽³⁾	8.4% ⁽⁴⁾
Yatırım Finansman Menkul Değerler A.Ş.	Brokerage House	-	98.42%	330,497	36,958	2.11% ⁽⁴⁾
	Securities					
İş Yatırım Ortaklığı A.Ş.	Investment Trust	-	31.41%	123,735	123,086	37.69% ⁽⁵⁾
İş Portföy Yönetimi A.Ş.	Asset Management	-	100.00%	35,057	34,201	22.48% ⁽⁶⁾
İş Finansal Kiralama A.Ş. ⁽³⁾	Leasing	27.79%	57.39%	1,265,184 ⁽³⁾	301,824 ⁽³⁾	5% ⁽⁷⁾
İş Factoring Finansman Hizmetleri A.Ş.	Factoring	-	100.00%	379,784	30,164	5% ⁽⁸⁾
İş Gayrimenkul Yatırım Ortaklığı A.Ş. ⁽³⁾	REIT	42.23%	58.04%	659,588 ⁽³⁾	573,276 ⁽³⁾	5.5% ⁽⁹⁾
	Venture Capital					
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ⁽³⁾	Inv.Trust	-	57.67%	125,810 ⁽³⁾	110,935 ⁽³⁾	N/A
Total.....				17,788,628	3,706,619	

Notes:

(1) Total Assets (derived from the BRSA's website)

(2) Gross written premiums (derived from data published by The Association of the Insurance and reinsurance Companies of Turkey)

(3) Consolidated amounts.

(4) Transaction volume (derived from the ISE's website)

(5) NAV (derived from the CMB's website and the Public Disclosure Platform of the ISE)

(6) Funds under management (derived from the CMB's website)

(7) Transaction volume in equity market (derived from the Turkish Leasing Association)

(8) Transaction volume in equity market (derived from the Turkish Factoring Association)

(9) Market Value (derived from the Public Disclosure Platform of the ISE)

(*) Milli Reasürans T.A.Ş. is the sole Turkish reinsurance company operating in Turkish insurance sector with a domestic market share of 19%. The remaining 81% 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 largest non-life insurance company in Turkey with a 13.49% market share in terms of gross premiums written in the non-life insurance market as of June 30, 2012 (source: The Association of the Insurance and Reinsurance Companies of Turkey). Anadolu Sigorta had gross written premiums of TL 1,164 million and TL 1,926 million for the six months ended June 30, 2012 and for the year ended December 31, 2011, respectively.

For 2011 and the first six months of 2012, Anadolu Sigorta recorded a net profit of TL 4 million and a net loss of TL 37 million, respectively. Anadolu Sigorta's products are distributed through its 2,775 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 June 30, 2012, Anadolu Hayat was the second largest life insurance company in Turkey with a 12.8% market share in the life insurance market according to data published by the Association of the Insurance and Reinsurance Companies of Turkey and the largest private pension fund in Turkey with a 21.5% 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 June 30, 2012. For the six months ended June 30, 2012, Anadolu Hayat had gross written premiums of TL 182 million and for the year ended December 31, 2011, Anadolu Hayat had gross written premiums of TL 348 million. For the six months ended June 30, 2012, Anadolu

Hayat had pension contribution income of TL 428 million and for the year ended December 31, 2011, Anadolu Hayat had pension contribution income of TL 656 million. For 2011 and the first six months of 2012, Anadolu Hayat recorded a net profit of TL 65 million and TL 39 million, respectively. Anadolu Hayat insurance and pension products are distributed through its 240 agents and through the Bank's and other contracted banks' branches.

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 20% of the industry's need for reinsurance coverage as of June 30, 2012 (source: Milli Reasürans and The Association of the Insurance and Reinsurance Companies of Turkey). Since 1991, Milli Reasürans accepts business on a voluntary basis from Turkish insurance companies. As of June 30, 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 premium income of TL 992 million for the year ended December 31, 2011 and premium income of TL 572 million for the six month period ended June 30, 2012. As of June 30, 2012, the company recorded net profit of TL 77 million. In September 2011, A.M. Best affirmed Milli Reasürans' financial strength rating as "B++" while S&P affirmed Milli Reasürans' national scale rating as "trAA" in July 2012.

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 June 30, 2012. TSKB's ordinary shares have been listed on the İSE since 1986, and as of June 30, 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 June 30, 2012, TSKB was the largest private investment bank in Turkey in terms of total assets with total assets of TL 10,302 million and a net income of TL 175 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. With its numerous environmental and renewable-energy related projects, TSKB is also the first and only Turkish bank to be granted the "Financial Times Sustainable Emerging Markets Bank of the Year" award for Eastern Europe for 2008 and 2009. Celebrating its 60th anniversary on June 2, 2010; TSKB was for the third time granted the "Sustainable Bank of the Year" award in the Eastern Europe region under the "Emerging Markets" category of the 2010 Financial Times Sustainable Banking Awards. 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." In 2012, TSKB was recognized as the company with the highest corporate governance rating score at the 5th International Corporate Governance Summit organized by the Corporate Governance Association of Turkey.

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 June 30, 2012. According to the Public Disclosure Platform of the İSE, İş REIT was the fifth largest real estate investment trust in Turkey with an asset value of US\$660 million as of June 30, 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 June 30,

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 June 30, 2012, the consolidated total assets and equity of İş Leasing amounted to TL 2,277 million and TL 543 million, respectively. Net current leasing receivables amounted to TL 1,377 million as of the same date. As of June 30, 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 (40%), real estate (23%), transportation (16%) and other sectors (21%).

Brokerage and Custody

The Bank owned 65.65% of the share capital of İş Yatırım as of June 30, 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 the first six months of 2012, according to data provided by the İSE, İş Yatırım had the following market shares in organized exchange transactions: 8.4% in İSE equity transactions, 11.6% in the "Outright Purchases and Sales" market of the "Bills & Bonds" market among brokerage houses and 15.1% 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 the six months ended June 30, 2012. İş Yatırım was one of the founding partners of the TURKDEX, which commenced its operations in February 2005, and as of June 30, 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 the period ended June 30, 2012 were TL 14.2 billion and TL 79.8 million while its consolidated assets and equity amounted to TL 3.5 billion and TL 741 million, respectively. In addition, as of June 30, 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 July 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 12 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 June 30, 2012, total assets and equity figures for İşbank AG were €979 million and €109 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 six branches and eight representative offices in Moscow, St. Petersburg, Saratov, Balakovo, Samara and Novosibirsk. As of June 30, 2012, the bank had 346 employees and its total assets and equity amounted to 5,047 million Russian Rubles and 732 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 June 30, 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	Shares owned by the Bank and the		Sector
	Bank's Share	Bank's affiliates	
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.....	—	31.41%	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 June 30, 2012, which also indicates the Group's group share in the bank. As of June 30, 2012, consolidated total assets and equity of the bank amounted to TL 2,676 million and TL 401 million, respectively.

Factoring. The Bank has a 100% indirect group share in İş Factoring Finansman Hizmetleri A.Ş. ("İş Factoring"). The company had TL 684 million in total assets and TL 54 million in equity as of June 30, 2012, while its factoring receivables amounted to TL 667 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.

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 the period ended June 30, 2012 was TL 30.2 million while its consolidated assets and equity amounted to TL 227.3 million and TL 200.4 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 11.36 billion as of June 30, 2012. İş Portföy manages 27 of the Bank's mutual funds from various risk categories and, as of June 30, 2012, had a market share of assets under management of 22.5% in a market size of TL 50.5 billion according to the CMB. Also, together with 17 pension funds that it manages for Anadolu Hayat, İş Portföy captured a 20.02% market share out of a market size of TL 17.2 billion according to the CMB.

İş Portföy's operating income and net profit figures for the period ended June 30, 2012 were TL 8.2 million and TL 4.5 million, respectively, while its assets and equity amounted to TL 63.3 million and TL 61.8 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 31.2% in a market size of TL 714 million as of June 30, 2012 according to the CMB. İş Yatırım Ortaklığı's net profit for the period ended June 30, 2012 was TL 20.1 million while its assets and equity amounted to TL 223.5 million and TL 222.4 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 June 30, 2012 and December 31, 2011, respectively. For the six months ended June 30, 2012, the six months ended June 30, 2011 and the year ended December 31, 2011, total dividend income received from its non-financial participations constituted 10.8%, 13.4% and 6.8%, respectively, of the Group's net income. As of June 30, 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 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 book values in the consolidated BRSA Financial Statements. Non-financial participations are fully consolidated in the IFRS Financial Statements.

Glass – Şişecam Group. As of June 30, 2012, the Bank held a 65.47% stake in the Şişecam Group, which it founded in 1935. With total assets of US\$4,604 million as of June 30, 2012, the Şişecam Group operates mainly in the area of glass manufacturing (including flat glass, glassware, glass packaging and fiberglass) and the production of 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 June 30, 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 is 7.44%. 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 June 30, 2012, Avea had approximately 13 million subscribers and a 19.7% market share in the Turkish GSM market according to data provided by the Information and Communication Technologies Authority.

Others. The following table sets forth certain information, as of June 30, 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.

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
Camiş Yatırım 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
Gemport Gemlik Liman ve Depolama İşletmeleri A.Ş. ⁽¹⁾	—	54.00%	Port Administration
Mipaş Mümessilik 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

⁽¹⁾ The Bank's indirect interest in this company is subject to a share sale agreement entered into in October 2012, the sale of which interest is expected to be finalized by the end of 2012 after the receipt of required governmental approvals.

Channel Management

As of June 30, 2012, the Bank, with its 1,197 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 76 cities out of 81. Unlike its competitors, in addition to the branches in city centers, 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 June 30, 2012:

Regions	Branches
Marmara.....	475
Central Anatolia.....	213
Aegean.....	181
Mediterranean.....	136
Black Sea.....	104
South East Anatolia.....	51
Eastern Anatolia.....	37
Foreign Branches.....	17
Total.....	1,214

The Bank opened 60, 54 and 63 new branches across Turkey in 2009, 2010 and 2011 (six branches were consolidated with other branches in 2011), respectively, and 13 new branches in the first six months of 2012, and it plans to open 34 further domestic branches in the second half of 2012. 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 June 30, 2012.* These branches provide specialized services to companies that meet the corporate qualification and size criteria determined by the Bank’s head office.
- *Commercial Branches – 38 branches as of June 30, 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 June 30, 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 – 1,141 branches as of June 30, 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 non-branch banking 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. In 2007, the Bank launched İşCep, which was the first Java-based mobile banking application in Turkey, enabling fast data transfer and advanced security with a personalized visual interface design.

The Bank had 4,641 domestic ATMs as of June 30, 2012. Based upon data provided by the Interbank Card Center, as of June 30, 2012, the Bank maintained the largest ATM network in Turkey among private commercial banks, with a market share of 13.62%. 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 will be one of the banks that will benefit mostly 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 June 30, 2012, the Bank had 256,375 point-of-sale terminals.

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

	2009	2010	2011	For the six months ended June 30, 2012
Branches	39%	30%	25.19%	22.75%
Non-branch	61%	70%	74.81%	77.25%
ATMs.....	24%	30%	30.32%	31.16%
Internet.....	32%	35%	39.78%	40.76%
Telephone.....	2%	1%	0.99%	1.50%
Kiosk.....	1%	*	*	*
Call Center.....	2%	4%	3.71%	3.84%

* Beginning January 2010, kiosk transactions are consolidated with ATMs.

The Bank was the first bank in Turkey to introduce electronic banking (in 1983), "Bankamatik" ATMs (in 1987), interactive telephone banking (in 1991), interactive banking (in 1996) and internet banking (in 1997). The Bank was the first bank in Turkey to offer, among other services, remote stock exchange transactions through its ATMs and its electronic banking facilities. The Bank was also the first bank in Turkey to introduce WAP telephone banking transactions, a Java-based mobile phone banking service and a mobile signature application that enables cardless cash withdrawal and facilitates borrowing without the need to visit a branch. As far back as of December 31, 1999, the Bank offered a wide range of remote access services, including 144 types of transactions that could be executed over the telephone or the internet. The Bank's management believes that the Bank offers a wider range of banking services through its ATM network and electronic banking facilities 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 İstanbul, 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 June 30, 2012, the Bank offered remote services in respect of more than 340 transactions that may be executed over the telephone or the internet.

Information Technology

The Bank's technology operations and initiatives are managed by two different IT divisions. These divisions employed approximately 389 personnel, including approximately 250 professionals dedicated to developing, installing, maintaining and operating the Bank's software applications, management information and security systems and branch IT systems as of June 30, 2012. In addition to these, two subsidiaries (Softtech and İşnet) provide application development 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 3200 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 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 Credit Information and 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 and SME Loans Underwriting	≤ US\$8,000,000
Consumer Loans Division Managers, Corporate and Commercial Underwriting Division Unit Managers	≤ US\$4,000,000
SME Loans Underwriting Unit Managers.....	≤ US\$3,000,000
Consumer Loans Division Unit Managers	≤ US\$2,500,000
Corporate, Commercial and SME Loans Underwriting Division Assistant Managers	≤ US\$1,000,000
Consumer Loans 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 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 Corporate Loans Underwriting 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 Credit Information and 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.

The following table sets forth charge-offs and recoveries during each of the six month period ended June 30, 2012 and the years ended December 31, 2011, 2010 and 2009.

	Six month period ended June 30, 2012	Years ended December 31,		
		2011	2010	2009
		<i>(TL millions)</i>		
Reserve at beginning of period.....	2,109	2,464	2,818	2,247
Charge for the period.....	414	988	1,006	1,993
Write-offs	109	253	277	431
Recoveries	363	1,089	1,083	991
Provision at end of period.....	2,049	2,109	2,464	2,818

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 the six months ended June 30, 2012 and in the years ended December 31, 2011, 2010 and 2009 totaled TL 94.8 million, TL 101.8 million, TL 121.4 million and TL 128.7 million, respectively. The ratio of restructured NPLs to total NPLs as of June 30, 2012 and December 31, 2011, 2010 and 2009 was 4.89%, 5.13%, 5.04% and 4.65%, respectively. Other loans that are not classified as NPLs may also be restructured. As of June 30, 2012, restructured performing loans constituted 1.6% 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 June 30, 2012 and December 31, 2011, 2010 and 2009.

	As of June 30, 2012	As of December 31,		
		2011	2010	2009
		<i>(TL millions)</i>		
Balance at the beginning of the period	2,109	2,464	2,818	2,247
Additions	411	988	1,006	1,993
Recoveries ⁽¹⁾	334 ⁽²⁾	1,075	1,025	991
Portfolio sale	136	88	329	224
Write-off ⁽¹⁾	1	179	6	207
Balance at the end of the period	2,049	2,109	2,464	2,818

⁽¹⁾ Excluding the portfolio sales.

⁽²⁾ Including foreign currency effect.

The following table sets forth details of the Group's renewed and restructured loan accounts as of June 30, 2012 and each of December 31, 2011, 2010 and 2009.

As of June 30, 2012	As of December 31,		
	2011	2010	2009
1,518	(TL millions)		
	1,318	782	1,147

Loan Portfolio Quality

The following table sets forth details of the Bank's NPL/Total Loan ratios as of each of June 30, 2012 and December 31, 2011, 2010 and 2009.

	As of June 30, 2012	As of December 31,		
		2011	2010	2009
Total NPL (TL million).....	1,940	1,984	2,407	2,768
Coverage Ratio.....	100.0%	100.0%	100%	100%
NPL/Total Loans.....	1.9%	2.1%	3.6%	5.4%

The following table sets forth details of the Bank's NPL ratios by loan categories as of each of June 30, 2012 and December 31, 2011, 2010 and 2009.

	As of June 30, 2012	As of December 31,		
		2011	2010	2009
Consumer loans ⁽¹⁾	1.3%	1.5%	2.9%	4.4%
Credit card loans.....	4.4%	5.2%	9.1%	10.2%
Total Loans	1.9%	2.1%	3.6%	5.4%

(1) Including retail overdraft accounts.

As of December 31, 2011, the Bank's NPL ratios were 1.5%, 5.2% and 2.1% for consumer loans, credit card loans and total loans, respectively, each close to the sector averages according to the BRSA. The Bank's NPL ratios for the same segments as of June 30, 2012 were 1.3%, 4.4% and 1.9%, 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 June 30, 2012, the Bank’s total net exposure to its risk group totaled TL 2,440 million, an amount corresponding to 11.9% 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 June 30, 2012, the Bank is well within the limits set by the BRSA.

Employees and Benefits

As of June 30, 2012, the Bank had 24,641 employees. The following table sets forth the year-end number of employees for the past five years and June 30, 2012.

	<u>Employees</u>
December 31, 2007.....	19,414
December 31, 2008.....	20,924
December 31, 2009.....	22,473
December 31, 2010.....	23,944
December 31, 2011.....	24,887
June 30, 2012.....	24,641

The Bank focuses on ensuring that employees have the level of education suitable for operational effectiveness and a career at the Bank. As of June 30, 2012, 21% of the Bank’s employees had only a secondary school education, 2% were graduates of two or three years at college, 68% 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 13.44% of all banking industry employees in Turkey as of June 30, 2012 according to the Banks Association of Turkey. The Bank’s personnel turnover rate (*i.e.*, resignations excluding retirees) is very low, amounting to 2.86% and 2.76% in 2010 and 2011, respectively, and 1.42% for the first six months of June 30, 2012. As of June 30, 2012, the Bank’s employees (excluding security guards) had, on average, 8.48 years of experience in the Bank and an average age of 33.39 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 of two years in duration whereby a two-year agreement came into effect in April 2010. This agreement is continuing as of the date of the Offering Circular and is due to be renewed after October 2012. The Bank’s management believes that the Bank has good relations with Basisen, the sole union associated with the Bank.

Employees of the Bank participate in two private pension funds. All employees are members of the İşbank Pension Fund established and operating 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.

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 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. To date, no fines have been imposed on any of the banks. If the Competition Board determines that the banks have acted in breach of competition law, then it may implement measures to remedy such breaches, which may include the imposition of substantial fines on the banks, including the Bank if applicable; *however*: (a) the banks will have the right to appeal any such determination and (b) while the size of any such a fine is uncertain, in past circumstances the Competition Board has imposed fines equal to a small percentage of the revenues obtained by the relevant banks in the relevant markets. The investigation process is ongoing and is expected to be completed in 2013.

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.

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 and 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 or a third party screening company.

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. 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 (May 4, 2012)

Foreign Currency Counterparty Credit Ratings	BB / (Stable) / B
Foreign Currency Certificate of Deposit	BB / B
Bank Survivability Assessment	NR

Moody's (July 3, 2012)

Long term Foreign Currency Deposit	Ba2
Outlook on Foreign Currency Deposit rating	Stable
Short Term Foreign Currency Deposit	NP (Not Prime)
Long term Local Currency Deposit	Baa2
Outlook on Local Currency Deposit rating	Stable
Short term Local Currency Deposit	Prime-2
BFSR	D+
Outlook on BFSR	Stable

Fitch (July 2, 2012)

Long term Foreign Currency IDR	BBB- (Stable)
Short Term Foreign Currency	F3
National Long Term Rating	AAA (tur) (Stable)
Support	3
Long term Local Currency IDR	BBB- (Stable)
Short term Local Currency	F3
Viability Rating	BBB-

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 is 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 it 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 and Economic Research 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 June 30, 2012, the Group’s total assets increased to TL 189,217 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 June 30, 2012 and December 31, 2011 and 2010:

	As of June 30, 2012		As of December 31,			
	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)
<i>Assets</i>						
Cash and Banks.....	18.8%	81.2%	30.4%	69.6%	44.3%	55.7%
Loans	63.8%	36.2%	61.0%	39.0%	65.5%	34.5%
Securities Portfolio	82.4%	17.6%	76.6%	23.4%	79.1%	20.9%
Total Assets.....	66.2%	33.8%	63.9%	36.1%	70.2%	29.8%
<i>Liabilities</i>						
Deposits	57.1%	42.9%	60.1%	39.9%	66.1%	33.9%
Funds Borrowed ⁽¹⁾	47.9%	52.1%	41.4%	58.6%	33.4%	66.6%
Total Liabilities	63.4%	36.6%	63.0%	37.0%	67.3%	32.7%

Notes:

(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 June 30, 2012:

	0-One Month	<Three Months	Three to 12 Months	>12 Months
<i>Assets</i>				
Cash and Banks.....	95.4%	3.7%	0.7%	0.2%
Loans ⁽¹⁾	24.0%	7.2%	22.5%	46.3%
Securities Portfolio.....	1.8%	5.7%	13.7%	78.8%
Total Assets ⁽²⁾	27.5%	6.2%	17.3%	49.0%
<i>Liabilities</i>				
Deposits.....	78.8%	16.2%	4.1%	0.8%
Funds Borrowed ⁽³⁾	44.2%	13.2%	17.0%	25.5%
Total Liabilities ⁽⁴⁾	68.9%	14.5%	8.6%	8.0%

- Notes: Derivative Financial Assets Held for Trading amounting to TL 719,208 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. 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.

Interest rate risk is monitored and controlled by the limits established separately on duration gaps of local and foreign currency-denominated interest rate sensitive assets, liabilities and off-balance sheet accounts of the Bank. Duration gap 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 June 30, 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
<i>(TL thousands)</i>						
Cash balances and balances with the Central Bank	-	-	-	-	13,539,572	13,539,572
Balances with banks	3,093,318	667,964	128,676	-	557,264	4,447,222
Trading securities	306,798	268,538	456,742	622,474	249,318	1,903,870
Interbank funds sold	170,522	-	-	-	-	170,522
Securities available for sale loans	6,578,010	5,784,126	8,010,399	12,890,148	223,286	33,485,969
Loans	32,402,605	12,042,772	24,115,613	38,099,043	19,462	106,679,495
Securities held to maturity	166,400	4,198,437	5,363,199	2,146,458	-	11,874,494
Other assets	700,707	74,265	291,259	874,385	15,175,390	17,116,006
Total assets	43,418,360	23,036,102	38,365,888	54,632,508	29,764,292	189,217,150
Bank deposits	1,448,580	849,194	378,147	11,333	203,894	2,891,148
Other deposits	58,276,820	15,359,573	3,755,410	802,482	18,795,446	96,989,731
Interbank funds borrowed	18,320,821	2,212,386	989,099	-	-	21,522,306
Miscellaneous payable	281,064	-	171	2,858	8,380,864	8,664,957
Marketable securities issued	1,001,395	937,447	2,457,556	997,224	-	5,393,622
Funds borrowed from other financial institutions	8,657,147	6,021,444	3,041,236	1,174,598	-	18,894,425
Other liabilities	264,518	239,789	1,555,339	50,094	32,751,221	34,860,961
Total liabilities	88,250,345	25,619,833	12,176,958	3,038,589	60,131,425	189,217,150
Asset/liability gap	(44,831,985)	(2,583,731)	26,188,930	51,593,919	(30,367,133)	-
Off-balance sheet gap	2,249,798	5,171,804	(1,433,458)	(5,620,228)	-	367,916
Total gap	(42,582,187)	2,588,073	24,755,472	45,973,691	(30,367,133)	367,916
Cumulative gap	(42,582,187)	(39,994,114)	(15,238,642)	30,735,049	367,916	-

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 53.8% and 52.8% for the first six months of 2011 and 2012, and constituting 55.9%, 58.7% and 53.7% of total liabilities as of December 31, 2009, 2010 and 2011, 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 June 30, 2012, demand deposits, of which 54.1% were Turkish Lira-denominated, constituted 18.6% of total deposits on a Bank-only basis. As of the same date, time deposits represented 81.4% of total deposits, with foreign currency-denominated deposits playing a major role, constituting 40.7% of the total time deposits, in each case, calculated on a Bank-only basis.

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 June 30, 2012 and December 31, 2011, 2010 and 2009:

	As of June 30,		As of December 31,				
	2012		2011	2010	Change	2009	Change
	(TL millions)	(%)	(TL millions)	(TL millions)	(%)	(TL millions)	(%)
No term	19,023	(0.16)%	19,054	14,689	29.72%	11,432	28.49%
Turkish Lira-denominated	10,015	(2.08)%	10,228	9,290	10.10%	6,800	36.42%
Foreign currency-denominated.....	9,008	2.06%	8,826	5,399	63.47%	4,632	16.56%
Up to three months	66,354	0.36%	66,115	65,294	1.26%	52,477	24.42%
Turkish Lira-denominated	42,174	(2.15)%	43,101	46,002	(6.31)%	33,885	35.76%
Foreign currency-denominated.....	24,180	5.07%	23,014	19,292	19.29%	18,592	3.77%
Greater than three months and less than or equal to 12 months	9,240	6.21%	8,700	5,546	56.87%	4,270	29.88%
Turkish Lira-denominated	4,174	(22.97)%	5,419	2,827	91.69%	1,615	75.05%
Foreign currency-denominated.....	5,066	54.40%	3,281	2,719	20.67%	2,655	2.41%
Over 12 months	5,264	6.06%	4,963	2,948	68.35%	3,876	(23.94)%
Turkish Lira-denominated	677	5.95%	639	392	63.01%	1,385	(71.70)%
Foreign currency-denominated.....	4,587	6.08%	4,324	2,556	69.17%	2,491	2.61%
Total deposits	99,881	1.06%	98,832	88,477	11.70%	72,055	22.79%
Turkish Lira-denominated	57,040	(3.95)%	59,387	58,511	1.50%	43,685	33.94%
Foreign currency-denominated.....	42,841	8.61%	39,445	29,966	31.63%	28,370	5.63%

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 June 30, 2012 and December 31, 2011 and 2010 would have changed profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As of June 30,	As of December 31,	
	2012	2011	2010
		<i>(TL thousands)</i>	
US\$	252,600	236,031	224,241
Euro.....	(127,789)	(92,892)	(10,908)
Other currencies.....	86,920	105,295	8,588
Total	211,731	248,434	221,921

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. 90% 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, natural 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 techniques 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 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 Financial Action Task Force ("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.

More recently, 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.

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 52.8% share in total liabilities as of June 30, 2012. As of June 30, 2012, according to the consolidated financial statements 68.6%, and Bank-only financial statements 74.1% 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 treasury bill and bond issues. In January 2012, the Bank's Board of Directors authorized the issuance of treasury bills and bonds with a value of up to TL 6.1 billion. In July 2012 the Board authorized another issuance of treasury bills and bonds up to TL 5.75 billion for the upcoming period. As of June 20, 2012, the Bank has issued corporate bonds with a total value of TL 8.7 billion, consisting of: TL 7 billion of bills, TL 1.6 billion of discounted bonds and TL 150 million of coupon-bearing bonds. 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 June 30, 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-year and interest of 5.1% *per annum* for a total amount of US\$500 million. These Eurobonds are currently rated "Ba1" by Moody's and "BBB-" by Fitch. The transaction was the first Eurobond from a Turkish issuer in 2011 and achieved the lowest coupon to such date from a Turkish bank.

The Bank has two outstanding future flow programs. The first program is the "Diversified Payment Rights" program dated as of November 22, 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. In 2004, 2005, 2006, 2007, 2011 and 2012, several tranches were issued under the program amounting to US\$3.3 billion. The second program is the credit and debit card voucher future flow program dated December 23, 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 June 30,		As of December 31,		
	2012	% Change	2011	2010	% Change
			<i>(TL millions)</i>		
Deposits	99,881	1.1%	98,832	88,477	11.7%
Repos & Money Market	21,522	(4.2)%	22,473	12,969	73.3%
Funds Borrowed ⁽¹⁾	24,288	7.3%	22,640	14,557	55.5%
Other	21,687	10.2%	19,680	15,821	24.4%
Equity	21,839	7.5%	20,311	18,987	7.0%
Total	189,217	2.9%	183,936	150,811	22.0%

(1) Including debt issuances and subordinated loans.

	As of June 30,	As of December 31,	
	2012	2011	2010
	<i>(%) of Total Liabilities</i>		
Deposits	52.8%	53.7%	58.7%
Repos & Money Market	11.4%	12.2%	8.6%
Funds Borrowed ⁽¹⁾	12.8%	12.3%	9.6%
Other	11.5%	10.7%	10.5%
Equity	11.5%	11.1%	12.6%
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 June 30, 2012, the Bank's regulatory capital adequacy ratio was 14.21% and the Group's regulatory capital adequacy ratio was 14.41%, each significantly exceeding the minimum ratio; *however*, such calculations would differ were Basel II then in effect. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy."

The most significant difference between the capital adequacy regulations in place before July 1, 2012 and the new Basel II regulations 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 100% risk weighting for Turkey; *however*, the Turkish law implementing Basel II principles in Turkey (Turkish National Discretion) revises this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign exchange-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 is expected to be fairly limited when compared to the previous regime. The BRSA has announced that these new regulations will result in a decrease of 0.20% 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.

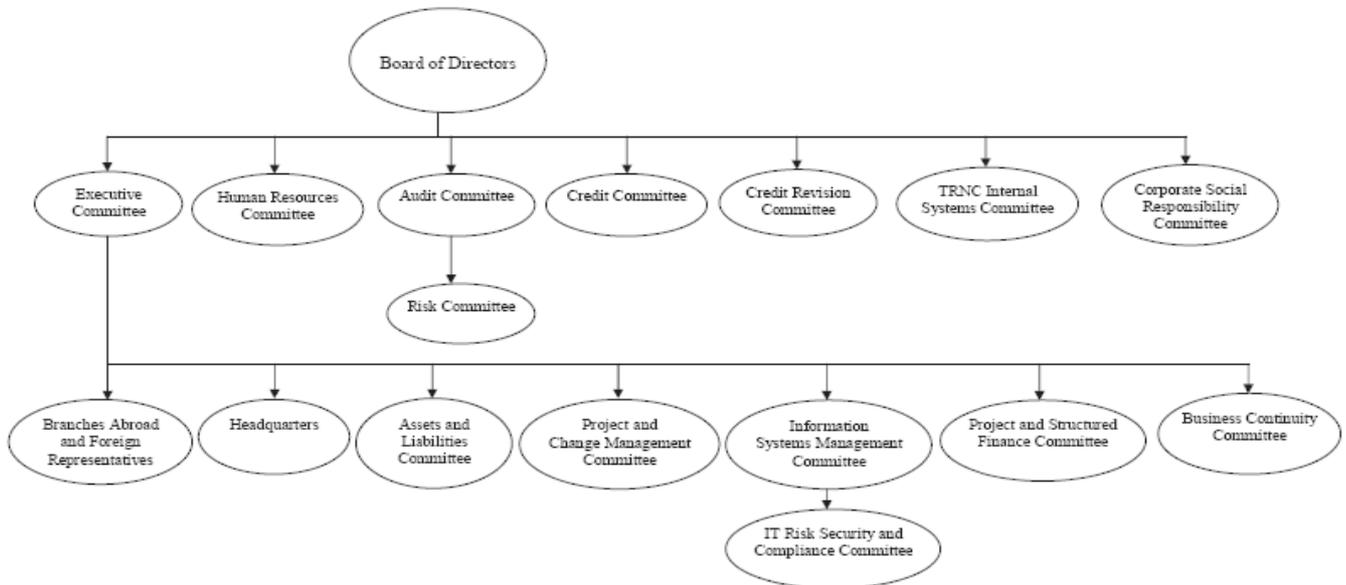
In the future, Turkish banks' capital adequacy requirements will be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. Although an official timetable for the adoption of Basel III regulations in Turkey has not been announced by the BRSA, the regulations are expected to be implemented between 2013 and 2019 in accordance with the transition period acknowledged by the Basel Committee.

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 48 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 has issued a regulation 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. Kıcaloğlu was elected as a Member of the Supreme Court (serving as Head of the 4th Civil Chamber), where he remained until he retired. Mr. Kıcaloğlu 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 Yenışehir/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 Aġanođlu (Auditor)

Born in Trabzon in 1947, Kemal Aġanođlu 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. Aġanođlu 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. Aġanođlu was posted to Türkiye Şişe ve Cam Fabrikaları A.Ş. and retired in 2009. Mr. Aġanođlu 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. In 2011, the Executive Committee held 12 meetings and in the first six months of 2012, the Executive Committee held six meetings.

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:

<u>Name</u>	<u>Position</u>
Adnan Bali	Chief Executive Officer
Özcan Türkakın.....	Deputy Chief Executive
Mahmut Magemizoğlu.....	Deputy Chief Executive
Suat İnce.....	Deputy Chief Executive
Hakan Aran	Deputy Chief Executive
Serdar Gençer.....	Deputy Chief Executive
Senar Akkuş.....	Deputy Chief Executive
A. Erdal Aral.....	Deputy Chief Executive
Ertuğrul Bozgedik.....	Deputy Chief Executive
Levent Korba	Deputy Chief Executive
Rıza İhsan Kutlusoy.....	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:

Özcan Türkakın

Born in Afyon in 1958, Mr. Özcan Türkakın graduated from the Economics Department of the Faculty of Administrative Sciences at Boğaziçi University and received a master's degree from the same department. He joined the Bank in 1984 as an Assistant Economics Specialist in the Department of Economic Research and Planning and served in a number of the Bank's units and İş Investment. He was appointed Deputy Chief Executive in 2002.

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.

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.

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.

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.

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.

A. Erdal Aral

Born in İstanbul in 1967, Mr. A. Erdal Aral graduated from the Economics Department of Marmara University, Faculty of Economics and Administrative Sciences in 1989 and received his master's degree in International Banking from Loughborough University of Technology. He joined the Bank in 1989 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.

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.

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.

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 45 in the first six months of 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 the first six months of 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 438 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 Fusun 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: Füsün 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, Özcan Türkakın (Deputy Chief Executive) and Burhanettin Kantar (Head of the Equity Participations Division) also attend the meetings. In 2011, the Risk Committee met a total of 12 times, four of which were on a consolidated basis.

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: Füsün 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 2011 was TL 14.7 million (TL 9.6 million for the six months ended as of June 30, 2012).

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 complies with the Banking Law, related BRSA regulations, Capital Markets Legislation and the regulations of CMB and the İSE in the matter of public disclosure and expends maximum effort to implement the principles stipulated in the BRSA and CMB Corporate Governance Principles. 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 June 30, 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 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 June 30, 2012, the share capital of the Bank was TL 4,500,000,000 consisting of 112,502,250,000 fully paid-up shares. Registered shareholdings in the Bank as of June 30, 2012 were as follows:

Shareholder⁽¹⁾	Shares⁽²⁾	Percentage
Pension Fund		
Class A Shares	35,532	0.0%
Class B Shares.....	948,830	0.0%
Class C Shares.....	45,815,322,885	40.7%
Sub-total.....	<u>45,816,307,247</u>	<u>40.7%</u>
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.....	<u>31,604,200,103</u>	<u>28.1%</u>
Public Free Float		
Class A Shares	36,900	0.0%
Class B Shares.....	1,127,401	0.0%
Class C Shares.....	35,080,578,349	31.2%
Sub-total.....	<u>35,081,742,650</u>	<u>31.2%</u>
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	<u>112,502,250,000</u>	<u>100.0%</u>

⁽¹⁾ According to data from the Central Registry Agency as of June 30, 2012.

⁽²⁾ 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 2009, 2010 and 2011 (all of which consisted entirely of cash dividends).

	As of December 31,		
	2009	2010	2011
Class A Shares	345	284	205
Class B Shares.....	5,878	4,995	3,848
Class C Shares.....	550,988,911	690,869,466	542,616,499
Total	550,995,134	690,874,745	542,620,552
Payout ratio (%)	23.2%	23.2%	20.3%

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 and is organized as a private Turkish “foundation” under the Turkish Civil Law, operating within the Turkish Regulations of Foundations. All active and retired 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 June 30, 2012.

RELATED PARTY TRANSACTIONS

The Bank and its qualified shareholders, board of directors (including general manager) 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 June 30, 2012, the Bank's total net exposure to its risk group totaled TL 2,440 million, an amount corresponding to 11.9% 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.

	2009		2010		2011	
	Amount	Percentage of Related Item	Amount	Percentage of Related Item	Amount	Percentage of Related Item
	<i>(TL thousands, except percentages)</i>					
Cash loans.....	706,615	1.34%	460,281	0.67%	702,189	0.71%
Non-cash loans	1,601,486	12.07%	1,733,947	10.55%	2,458,207	9.03%
Deposits.....	1,485,417	2.06%	2,287,626	2.59%	2,133,162	2.16%
Derivatives.....	3,581	0.02%	—	0.00%	188,145	0.25%

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 the first half of 2002, after which all private commercial banks were either found to be in compliance with the 8% minimum capital requirement, transferred to the Savings Deposit Insurance Fund (the "SDIF") or asked to increase their capital level). 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. 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 private 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. 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. 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. 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 year since 1999.

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012⁽¹⁾</u>
Number of banks....	79	61	54	50	48	47	46	46	45	45	45	44	44

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).

(1) As of June 30, 2012.

As of June 30, 2012, 44 banks were operating in Turkey. Thirty-one 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 the analysis). Among the deposit-taking banks, three banks were state-controlled banks, 11 were private domestic banks, 16 were private foreign banks and one was under the administration of the SDIF.

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 17.8% from December 31, 2006 to July 31, 2012, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 23.9% and 16.2%, respectively, between December 31, 2006 and July 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 47.9% and 50.6%, respectively, as of December 31, 2011 according to BRSA data, whereas the eurozone's banking sector had loan and deposit penetration ratios of 130.9% and 114.2%, 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 since 2006.

	As of December 31,						As of	CAGR
	2006	2007	2008	2009	2010	2011	July 31, 2012	
	<i>(TL millions, except CAGR)</i>							
Balance sheet								
Loans	202,467	262,572	338,091	355,285	479,018	621,379	670,074	23.9%
Total assets	470,635	543,272	683,823	773,357	932,371	1,119,911	1,172,243	17.8%
deposits.....	296,495	342,031	435,554	487,909	583,947	656,276	686,202	16.2%
Shareholders' equity.....	50,409	64,533	72,060	93,833	114,979	123,007	140,492	20.2%
Income statement								
Net Interest Income	19,607	23,978	28,245	38,758	35,895	36,056	26,361	5.4%
Net Fees and Commission								
Income.....	6,420	7,894	9,611	10,846	11,459	13,345	8,312	4.7%
Total income.....	33,414	39,744	45,339	57,275	58,955	61,669	42,339	4.3%
Net Profit.....	10,243	13,468	11,851	18,490	20,518	18,177	12,139	3.1%
Key ratios								
Loans/deposits.....	68.3%	76.8%	77.6%	72.8%	82.0%	94.7%	97.6%	
Net interest margin	5.1%	5.3%	5.1%	5.9%	4.7%	3.7%	4.0%	
Return on average equity.....	21.1%	23.4%	17.7%	22.3%	19.9%	15.4%	15.2%	
Capital adequacy ratio	19.9%	17.4%	16.6%	19.3%	17.7%	15.5%	15.5%	

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 90.3% of total assets of deposit-taking banks as of June 30, 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 June 30, 2012 according to the BRSA. These three state-controlled banks accounted for 28.7% of deposit-taking Turkish banks' performing loans and 34.6% of total deposits as of June 30, 2012 according to the BRSA. 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 50.4% of deposit-taking Turkish banks' performing loans and approximately 46.7% of total deposits as of June 30, 2012 according to the BRSA. The remaining banks in the top 10 deposit-taking banks in Turkey include three mid-sized banks, namely Finansbank A.Ş. ("Finansbank"), Turk Ekonomi Bankası and Denizbank A.Ş.

(“Denizbank”), which were controlled by National Bank of Greece, BNP Paribas and Dexia, respectively, as of June 30, 2012. On June 8, 2012, Sberbank and a shareholder of Denizbank (Dexia Participation Belgique) signed a definitive agreement for the acquisition of 99.85% of Denizbank’s issued share capital by Sberbank.

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 June 30, 2012.

Rank by Assets	Bank	Major Shareholders⁽¹⁾	Assets (US\$ millions)	Assets market share	Loans market share⁽²⁾	Deposits market share	Branches
1	İşbank	İşbank Personnel Supplementary Pension Fund (40.7%), Cumhuriyet Halk Partisi (28.1%)	92,004	13.7%	14.0%	13.8%	1,214
2	Ziraat Bank	Treasury (100%)	85,410	12.7%	9.9%	14.8%	1,506
3	Garanti Bank	Doğuş Group (24.2%), BBVA (25.0%)	84,668	12.6%	12.5%	12.2%	922
4	Akbank	Sabancı Holding, affiliates and family (49.0%), Citigroup (9.9%)	77,609	11.5%	11.4%	11.5%	951
5	Yapı Kredi Bank	Koç Financial Services ⁽³⁾ (81.8%)	64,451	9.6%	10.1%	9.2%	918
6	HalkBank	Privatization Administration (75.0%)	56,091	8.3%	8.6%	10.9%	792
7	VakıfBank	General Directorate of Foundations (58.6%)	53,724	8.0%	8.9%	8.8%	690
8	Finansbank	National Bank of Greece (94.8%)	26,022	3.9%	4.6%	4.1%	522
9	Türk Ekonomi Bankası	TEB Holding (55.0%) ⁽⁴⁾ , BNP Paribas (40.4%)	22,584	3.4%	4.0%	3.5%	510
10	Denizbank	Dexia Participation Belgique (99.8%) ⁽⁵⁾	20,864	3.1%	3.4%	3.1%	596

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) As of June 30, 2012.

(2) Performing loans only are included.

(3) Koç Financial Services is a 50/50 joint venture owned by the Unicredit Group and Koç Holding.

(4) TEB Holding is a 50/50 joint venture between BNPP Fortis Yatırım Holding A.Ş. and Çolakoğlu Group.

(5) On June 8, 2012, Sberbank signed a definitive agreement with Dexia Participation Belgique for the acquisition of 99.85% of the issued share capital of Denizbank.

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 June 30, 2012:

Banks	Number of Branches	Per Branch		
		Total Assets	Loans ⁽¹⁾ <i>(TL millions)</i>	Customer Deposits
The Bank	1,214	136.4	80.9	81.9
Garanti	922	165.3	94.5	94.8
Akbank	951	146.9	83.8	86.9
Yapı Kredi	918	126.4	77.1	72.7
Vakıfbank	690	140.2	90.0	92.2

Source: BRSA and the banks' financials as of June 30, 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 Istanbul with the migration of functions from Ankara to Istanbul 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 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 in line 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 in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims at examining, protecting and promoting its members' professional interests; *however*, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholding

The direct or indirect acquisition of shares that represent 10% or more of the share capital of any bank, or the direct or indirect acquisition or transfer of shares resulting in the total number of shares held by a shareholder to increase above or fall 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 BRSA authorization. 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 are 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:

- 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 otherwise), 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 contracts and other similar contracts, partnership interests and shareholding interests are considered as a credit irrespective of the account through which they are traced. Credits directly or indirectly extended to, and avals and sureties accepted from, a real person or legal entity in excess of 10% of the bank's equity capital are to be considered major credits and the total of such major credits, except for the avals, guarantees and sureties, cannot exceed eight times its equity capital.
- 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 partnership(s) in which any one of such persons is a director 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 constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25%. 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, for which the lending limits are reduced to 20% of a bank's equity capital.

- Loans made available to a bank's controlling shareholders or other registered shareholders 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 credits 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 and bills 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 52 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 in 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 (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.

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.

The Regulation on Provisions and Classification of Loans and Receivables requires Turkish banks to provide general provisions calculated at: (a) 1% of the cash loan portfolio *plus* 0.2% of the non-cash loan portfolio (letters of guarantee, avals, sureties and other non-cash loans) classified in Group I above for standard loans, and (b) 2% of the cash loan portfolio *plus* 0.4 % of the non-cash loan portfolio (letters of guarantee, avals, sureties and other non-cash loans)

classified in Group II above for closely monitored loans. 75% less general provisions is set aside for each check slip of customers who have loans under Groups I and II, which checks were delivered by the Bank at least five years ago.

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 consumer loans (excluding vehicle and housing loans) under Group I and an 8% general provision for outstanding 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 Equity of Banks, 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” 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 in the amounts of 20%, 50% and 100%, respectively. 75% less special provisions is set aside for each check slip of the customers who have loans under Groups III, IV and V, which checks were delivered by the Bank at least five years ago; *however*, if a bank sets aside specific provisions at a rate of 100% for non-performing loans, then they do not have to set aside specific provisions for check slips that were delivered by such bank at least two years ago.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, 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 receivables. 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 receivables.

Pursuant to the amendment dated September 21, 2012 of 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.

When calculating the special reserve requirements for frozen receivables, the value of collateral received from a 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 was amended on April 9, 2011. According to Provisional Article 5 of such regulation, which will be effective until December 31, 2012, loans and other receivables classified as Group II that were granted to real persons or legal entities residing in Libya or engaged in activities relating to Libya who reside in Turkey or in any other foreign country can be restructured twice. Furthermore, such loans and receivables subject to a new redemption plan may be reclassified as Group I; *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 loans and receivables become subject to a redemption plan for a second time by granting new loans, then such loans and receivables shall be classified as Group III 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 Article 5 described above, if real persons or legal entities residing in Libya or having business activities relating to Libya who reside in Turkey or in any other foreign country incur other debts that are

classified under Group III, IV or V, then the debt relating to Libya will be reclassified in the same group as such debt; *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 the borrower fails to repay such debt due to a temporary lack of liquidity, then the 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 preceding paragraph may be transferred to the “Renewed/Restructured Loans Account” if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans and receivables 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 and receivables 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 and receivables 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.

Banks must provide information on the loans and receivables defined above that are subject to the terms of a new contract or restructured in their year-end and interim financial reports to be disclosed to the public.

The Regulation on Provisions and Classification of Loans and Receivables was amended on December 30, 2011. According to Provisional Article 6 of the regulation, which will be effective until December 31, 2012, loans and receivables classified as Group II that were granted to be used in the maritime sector can be restructured twice. Furthermore, such restructured debt may be classified as Group I; *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 debt 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 loans and receivables become subject to a redemption plan for a second time by granting new loans, then such loans and receivables shall be classified as Group III 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 Article 6 described above, if there are any loans and receivables that are classified in Groups III, IV and V, other than those relating to the maritime sector shall be reclassified in the same group as such debt; *however*, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of banks. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such loans or receivables due to a temporary lack of liquidity, then the 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 preceding paragraph may be transferred to the “Renewed/Restructured Loans Account” if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans and receivables 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 and receivables 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 and receivables 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.

Banks must provide information on the loans and receivables defined above that are subject to the terms of a new contract or restructured in their year-end and interim financial reports to be disclosed to the public.

The Regulation on Provisions and Classification of Loans and Receivables was amended on September 21, 2012. According to Provisional Article 7 of the regulation, which will be effective until December 31, 2013, restructured debts classified as Group II that were granted by banks to real persons or legal entities residing in Syria or engaged in activities relating to Syria who reside in Turkey or in any other foreign country may be classified as 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 again may be reclassified as Group I; *provided* that at least 15% of the total debt has been repaid. If such loans and receivables become subject to a redemption plan for a second time by granting new loans, then such loans and receivables shall be classified as Group III 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 Article 7 described above, if real persons or legal entities residing in Syria or having business activities relating to Syria who reside in Turkey or in any other foreign country incur other debts that are classified under Group III, IV or V, then the debt relating to Syria will be reclassified in the same group as such debt; *however*, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of the banks. 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 preceding paragraph may be transferred to the "Renewed/Restructured Loans Account" if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans and receivables 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 and receivables 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 and receivables 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.

Capital Adequacy

In order to implement 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 Regulation, subordinated loans (which as defined can also include bonds such as the Notes) 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.

Tier II Rules under Turkish Law. Secondary subordinated debts are regulated under the BRSA 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 such as the Notes) 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." 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) 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 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.

Basel II. The BRSA has published regulations regarding the implementation of Basel II in Turkey, which regulations took full effect during the second half of 2012. These regulations as contained in the “Turkish National Discretions” (Turkish modification of Basel II) were implemented on a bank-only basis starting from July 1, 2011, and on a consolidated basis starting from January 1, 2012. This reporting period was a “parallel run”, since banks continued to report their risk-weighted assets under both Basel I and Basel II requirements until June 30, 2012. Since June 30, 2012, only Basel II standard approach requirements are permitted in the credit risk report for minimum capital calculations.

The most significant difference between the capital adequacy regulations in place before July 1, 2012 and the new Basel II regulations 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 100% risk weighting for Turkey; *however*, the Turkish law implementing Basel II principles in Turkey (Turkish National Discretion) revises this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign exchange-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 is expected to be fairly limited when compared to the previous regime. The BRSA has announced that these new regulations will result in a decrease of 0.20% 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.

Basel III. The Basel Committee has recently adopted further revisions to Basel II (“*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. Although an official timetable for the adoption of Basel III in Turkey has not been announced by the BRSA, the regulations are expected to be implemented between 2013 and 2019 in accordance with the transition period provided for by the Basel Committee.

Liquidity and Reserve Requirements

The Regulation on Measurement and Assessment of the Liquidity Adequacy of Banks was issued by the BRSA and announced in the Official Gazette dated November 1, 2006 and numbered 26333. According to such regulation, the liquidity adequacy ratio of a bank is the ratio of its liquid reserves to its liabilities. On a weekly basis, banks are required to maintain at least 100% liquidity adequacy for the first maturity period (liabilities maturing within seven days on a weekly average as defined by the regulation) and second maturity period (liabilities maturing within 31 days as of the reporting date) for its aggregate liabilities and 80% liquidity adequacy for the same maturity periods for its foreign currency liabilities.

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.....	11%
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).....	11%
Other liabilities up to 3-year maturity (including 3-year).....	9%
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%
Deposits/participation accounts up to 1-month maturity (including 1-month).....	11%
Deposits/participation accounts up to 3-month maturity (including 3-month).....	11%
Deposits/participation accounts up to 6-month maturity (including 6-month).....	8%
Deposits/participation accounts up to 1-year maturity.....	6%
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%
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 the recent amendments to the Communiqué regarding Reserve Requirements published on October 19, 2012 and effective as of October 24, 2012, banks are permitted to maintain: (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 40% at 1.4 times, second 5% at 1.7 times, third 5% at 2.0 times, fourth 5% at 2.2 times and fifth 5% at 2.3 times the reserve requirement) and up to 30% of the Turkish lira reserve requirements in standard gold (first 20% at one times, second 5% at 1.5 times and third 5% at 2.0 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, as required by a press release from the Central Bank dated September 11, 2012, banks are required to maintain their required reserves against their US Dollar-denominated liabilities in US Dollars only.

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). As of the date of this Offering Circular, no interest is paid by the Central Bank on Turkish Lira or foreign currency liquidity reserve accounts.

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 other quarters' consolidated interim financial statements are subject to only a limited review by independent audit firms.

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. Annual 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.

As noted above, 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 in line with the scope and structure of their activities, 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 SDIF

Article 111 of the Banking Law relates to the SDIF and its principles. 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, 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 consultation with the Treasury, the BRSA and the Central Bank.

(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 subject to 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.

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 the 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 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, and/or
- 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.

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, and/or
- 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.

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, and/or
- cover its losses with its equity capital.

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. 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.

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. In addition, the signing of the financial reports of foreign banks operating in Turkey through their branches in Turkey is required to be performed by the members of the board of managers.

Independent auditors must approve all annual reports that banks present to their general assemblies.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish annual reports that comply with the BRSA's established guidelines. These reports include the following parts: an introductory part that contains general information about the bank, a part that incorporates information on management and corporate managerial practices and a part that contains financial information and evaluations related to risk management.

The Regulation on Procedures and Principles of Preparation and Publication of Annual Reports by the Banks regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According to the regulation, among other things, a bank's financial performance and the risks that it faces need to be assessed in the annual report. 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 branches. Besides they must publish them on their websites by the end of May following the end of the relevant fiscal year.

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 corporations listed on the ISE, including banks. The Corporate Governance Communiqué is, as of the date of this Offering Circular, in force for all listed companies except for banks, which will be subject to this communiqué as of December 30, 2012. Therefore, the provisions of the communiqué are expected to become applicable to the Bank starting from the aforementioned date, in addition to the existing 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). The listed banks will have to comply with all of the mandatory principles under the Corporate Governance Communiqué when these principles become applicable to the banks. According to the communiqué, any non-compliance with the non-mandatory principles in the Corporate Governance Communiqué will have to be explained in annual Corporate Governance Principles Compliance Report that is published as part of the relevant company's annual reports.

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 average market capitalization and the average market value of their free-float shares, subject to recalculation on an annual basis. The CMB has classified 23 companies for 2012 as "Tier 1" companies, which have maximum exposure to the mandatory principles set out in the Corporate Governance Communiqué. Some of these mandatory principles are not applicable to "Tier 2" and "Tier 3" companies. 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. 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. Those nominated for such positions must be evaluated by the "Nomination Committee" 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 related party transactions, transactions concerning the establishment of security, pledge and mortgage 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 simple majority of the attendees who may vote.

Anti-Money Laundering

Turkey is a member country of the Financial Action Task Force 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.

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.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (except for the paragraphs in italics) will be endorsed on the definitive Certificates issued in respect of the Notes:

The US\$1,000,000,000 6.00 per cent. Subordinated Notes due 2022 (the “Notes”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of Türkiye İş Bankası A.Ş. (the “Issuer”) are issued subject to and with the benefit of an Agency Agreement dated 24 October 2012 (such agreement as 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”). The holders of the Notes are entitled to the benefit of a Deed of Covenant (the “Deed of Covenant”) dated 24 October 2012 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.

The owners shown in the records of Euroclear, Clearstream Luxembourg and DTC of book-entry interests in 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 applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of US\$200,000 (referred to as the “principal amount” of a Note) and in integral multiples of US\$1,000 thereafter. 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 will be kept by the Registrar. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 2499) of Turkey and Articles 6 and 25 of the Communiqué Serial II, No. 22 of the Turkish Capital Markets Board on Registration and Sale of Debt Instruments.

The Notes are not issuable in bearer form.

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 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, “*Business Day*” shall mean a day on which commercial banks are open for general business including dealings in foreign currencies 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 herein (see “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

3.1 Subordination

The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

- (a) subordinate in right of payment to the payment of all Senior Obligations;
- (b) *pari passu* without any preference among themselves and with all Parity Obligations; and
- (c) in priority to all payments in respect of Junior Obligations.

By virtue of such subordination of the Notes as described in this Condition 3, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied.

3.2 No Set-off or Counterclaim

All payment obligations of, and payments made by, the Issuer under and in respect of the Notes must be determined and made without reference to any right of set-off or counterclaim of any holder of the Notes, whether arising before or in respect of any Subordination Event. By virtue of the subordination of the Notes, following a Subordination Event and for so long as that Subordination Event subsists and prior to all payment obligations in respect of Senior Obligations having been satisfied, no holder of the Notes shall exercise any right of set-off or counterclaim in respect

of any amount owed to such holder by the Issuer in respect of the Notes and any such rights shall be deemed to be waived.

3.3 No Link to Derivative Transactions

The Notes will not be (i) linked to any derivative transaction or derivative contract in a way which would result in a violation of Articles 8(1)(c) and (d) of the BRSA Regulation or (ii) in any manner the subject of any guarantee or security.

3.4 Interpretation

In these Conditions:

“*BRSA*” means the Banking Regulation and Supervision Agency (*Bankacılık Düzenleme ve Denetleme Kurumu*) of Turkey or such other governmental authority in Turkey having primary bank supervisory authority with respect to the Issuer.

“*BRSA Regulation*” means the BRSA Regulation on Equities of Banks (*published in the Official Gazette dated 1 November, 2006, No. 26333*).

“*Junior Obligations*” means any class of share capital (including ordinary and preferred shares) of the Issuer together with any present and future undated or perpetual subordinated indebtedness, including any obligations arising out of any other subordinated loans or debt instruments (as defined in Article 7 of the BRSA Regulation) or other payment obligations of the Issuer that rank, or are expressed to rank, junior to the Issuer’s obligations under the Notes.

“*Parity Obligations*” means any securities or other instruments issued by the Issuer, including any present and future dated subordinated loans (as defined in Article 8 of the BRSA Regulation) or other payment obligations of the Issuer that rank, or are expressed to rank, *pari passu* with the Issuer’s obligations under the Notes.

“*Senior Obligations*” means any of the Issuer’s present and future indebtedness and other obligations (including, without limitation (a) obligations for any Senior Taxes, statutory preferences and other legally-required payments, (b) obligations to depositors and trade creditors, and (c) obligations under hedging and other financial instruments), other than its obligations under (i) the Notes, (ii) any Parity Obligations and (iii) any Junior Obligations.

“*Subordination Event*” means any distribution of the assets of the Issuer on a dissolution, winding-up or liquidation of the Issuer whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation or indebtedness (*konkordato*) or any analogous proceedings referred to in the Banking Law (Law No. 5411), the Turkish Commercial Code (Law No. 6102) or the Turkish Execution and Bankruptcy Code (Law No. 2004).

“*Senior Taxes*” means any tax, levy, fund, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) including, without limitation, the Banking and Insurance Transactions Tax (*Banka Sigorta Muameleleri Vergisi*) imposed by Article 28 of the Expenditure Taxes Law (No. 6802), income withholding tax pursuant to the Decree of the Council of Ministers of Turkey (Decrees No. 2011/1854 and 2010/1182), Articles 15 and 30 of the Corporate Income Tax Law (No. 5520) and Article 94 and Provisional Article 67 of the Income Tax Law (No. 193), any reverse VAT imposed by the VAT Law (Law No. 3065), any stamp tax imposed by the Stamp Tax Law (Law No. 488) and any withholding tax imposed by, or anti-tax haven regulations under, Article 30.7 of the Corporate Income Tax Law (Law No. 5520).

“*Turkey*” means the Republic of Turkey.

4. COVENANTS

4.1 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 Turkey (including, without limitation, with the

Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the “CMB”) and 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 (a “*Material Adverse Effect*”), the conduct by it of the Permitted Business.

4.2 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer will not, and the Issuer will not permit any of its Material Subsidiaries to, in any 12 month period, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, or purchase any properties, revenues or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or guarantee (whether related or not) which has or in the aggregate have a value in excess of US\$50,000,000 with or for the benefit of, any Affiliate (each, an “*Affiliate Transaction*”) unless such 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.

4.3 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 (“*BRSAAAS*”), together with the corresponding financial statements for the preceding period, 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 corresponding 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.

4.4 Merger, Amalgamation, Consolidation, Sale, Assignment or Disposal

So long as any of the Notes remains outstanding, the Issuer shall not merge, amalgamate or consolidate with or into, or sell, assign or otherwise dispose of all or substantially all of its property and assets (whether in a single transaction or a series of related transactions) to, any other person (a “*New Bank*”) without the prior approval of the holders of the Notes by way of an Extraordinary Resolution unless either:

- (a) (i) the New Bank is incorporated, domiciled and resident in Turkey and executes a deed poll and such other documents (if any) as may be necessary to give effect to its assumption of all of the obligations, covenants, liabilities and rights of the Issuer in respect of the Notes (together, the “*Documents*”) and (without limiting the generality of the foregoing) pursuant to which the New Bank shall undertake in favour of each Noteholder to be bound by the Notes, these Conditions and the provisions of the Agency Agreement and the Deed of Covenant as fully as if it had been named in the Notes, these Conditions, the Agency Agreement and the Deed of Covenant in place of the Issuer; and
- (ii) the Issuer (or the New Bank) delivers to the Fiscal Agent a legal opinion from a leading firm of lawyers in each of Turkey and England to the effect that, subject to no greater limitations as to enforceability than those which would apply in any event in the case of the Issuer, the Documents constitute or, when duly executed and delivered, will constitute, legal valid and binding obligations of the New Bank, with each such opinion to be dated not more than seven days prior to the date of such merger, amalgamation or consolidation or sale, assignment or other disposition,

and provided (A) none of the events or circumstances described in paragraphs (a), (b) or (c) in Condition 10 below has occurred and is continuing and (B) such merger, amalgamation or consolidation or sale, assignment or other disposition does not and would not (I) result in any other default or breach of the obligations and covenants of the Issuer under the Notes or of the New Bank on its assumption of such obligations and covenants in accordance with

the provisions above or (II) otherwise have a Material Adverse Effect, as determined by reference to the Issuer immediately prior to and the New Bank immediately after the relevant merger, amalgamation or consolidation or sale, assignment or other disposition; or

(b) the surviving legal entity following any such merger, amalgamation or consolidation is the Issuer.

4.5 Interpretation

For the purposes of this Condition 4:

“*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 subparagraph (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 subparagraph (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 subparagraph (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 subparagraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (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 subparagraph (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 Issue Date (as defined below).

“*Person*” means (i) any individual, company, unincorporated association, government, state agency, international organisation or other entity and (ii) its successors and assigns.

“*Subsidiary*” means, in relation to any Person, any company (i) in which such Person holds a majority of the voting rights or (ii) of which such Person is a member and has the right to appoint or remove a majority of the board of directors or (iii) 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.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

Subject as provided in Condition 5.2, the Notes will bear interest from and including 24 October 2012 (the “*Issue Date*”) at the rate (the “*Interest Rate*”) of 6.00 per cent. per annum (the “*Original Interest Rate*”), payable semi-annually in arrear on each of 24 April and 24 October in each year (each, an “*Interest Payment Date*”). The first payment (representing a full six months’ interest) shall be made on 24 April 2013.

5.2 Default Interest

In the event that any default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them (save as a result of the winding up, dissolution or liquidation of the Issuer) and the default continues for a period of 7 days in the case of principal or 14 days in the case of interest, and for so long as such default is continuing, the Interest Rate shall be increased by one percentage point to 7.00 per cent. per annum (the “*Default Interest Rate*”), which increase shall take effect from and including the date on which the relevant payment was due.

5.3 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 12.

5.4 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six months (including where a different Interest Rate is to apply in respect of any periods within the period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date (each an “*Interest Period*”) as a result of the Original Interest Rate and the Default Interest Rate being payable in respect of that Interest Period and for these purposes interest shall be calculated separately in respect of each such period within that Interest Period as provided in this Condition 5.4), 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.

6. PAYMENTS

6.1 Payments in respect of Notes

Payment of principal and interest on a Note will be made by transfer to the registered account of the applicable Noteholder or by US Dollar cheque drawn on a bank that processes payments in US Dollar mailed to the registered

address of such Noteholder if it does not have a registered account. Payments of principal and payments of interest due otherwise than on an Interest Payment Date 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.

For the purposes of this Condition 6.1, 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 Dollar, details of which appear on the register of Noteholders at the close of business, in the case of principal, on the second Payment Business Day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder’s registered address means its address appearing on the register of Noteholders at that time.

6.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) 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.

6.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Payment Business Day preceding the due date for payment or, 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 Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders 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 Payment Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition 6, “*Payment 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, London and Istanbul and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

6.5 Partial Payments

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

6.6 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;
- (b) there will at all times be an Agent (which may be the Fiscal Agent) having a specified office in a city which, for so long as the Notes are admitted to official listing on the London Stock Exchange, shall be such place as the UK Listing Authority may approve;
- (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;

- (d) there will at all times be a Paying Agent in a jurisdiction, other than the jurisdiction in which the Issuer is incorporated; and
- (e) there will at all times be a Registrar.

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 12.

7. REDEMPTION AND PURCHASE/ASSIGNMENT

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 24 October 2022 (the “*Maturity Date*”).

7.2 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 8), 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 22 October 2012, on the next Interest Payment Date:
 - (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8; and
 - (ii) the Issuer would be required to 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 22 October 2012; and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

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 12 (which notice shall be irrevocable and shall specify the date fixed for redemption, which may not be earlier than the fifth anniversary of the Issue Date), redeem all, but not some only, of the Notes, subject to having obtained the prior approval of the BRSA, 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 (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, (ii) the BRSA’s written approval for such redemption of the Notes and (iii) 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.

7.3 Redemption upon a Capital Disqualification Event

If a Capital Disqualification Event occurs, 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 12 (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) the required confirmation in writing by the BRSA of the occurrence of the relevant Capital Disqualification Event and (ii) a certificate signed by two Directors of the Issuer stating that a Capital Disqualification Event has occurred.

For the purposes of this Condition 7.3:

“*Capital Disqualification Event*” means if, as a result of any change in applicable law (including the BRSA Regulation), or the application or official interpretation thereof, as confirmed in writing by the BRSA, the principal

amount of the outstanding Notes is fully excluded from inclusion as Tier 2 capital of the Issuer (save where such exclusion is only as a result of any applicable limitation on the amount of such capital).

“*Tier 2 capital*” means tier 2 capital as provided under Article 5 of the BRSA Regulation.

7.4 Purchases / Assignments

Pursuant to Article 8 of the BRSA Regulation, the Notes shall not be assigned and/or transferred to, or for the benefit of, any of the Issuer’s affiliates or subsidiaries (as contemplated in the Banking Law (Law No. 5411)). The Issuer, to the extent permitted by applicable laws and subject to having obtained the prior approval of the BRSA, may at any time (but not before the fifth anniversary of the Issue Date) purchase the Notes in any manner and at any price.

7.5 No Other Optional Redemption

The Issuer may not redeem or purchase the Notes before the Maturity Date other than as provided in Conditions 7.2, 7.3 and 7.4 above. All Notes which are so purchased by or on behalf of the Issuer may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation. All Notes which are redeemed by or on behalf of the Issuer will forthwith be cancelled and, accordingly, may not be held, re-issued or resold.

7.6 Notices Final

Upon the expiry of any notice as is referred to in Conditions 7.2 and 7.3 above, the Issuer shall be bound to redeem the Notes in accordance with the terms of such Condition.

8. TAXATION

8.1 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 to the 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 6).

Notwithstanding any other provision of the 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.

8.2 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 12; 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.

8.3 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 8.

9. PRESCRIPTION

Claims in respect of principal and interest will become prescribed unless made within ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date, as defined in Condition 8.

10. EVENTS OF DEFAULT

If:

- (a) 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 7 days in the case of principal or 14 days in the case of interest; or
- (b) a Subordination Event occurs; or
- (c) any order is made by any competent court, or resolution is passed for the winding up, dissolution or liquidation of the Issuer,

the holder of any Note may:

- (i) in the case of (a) above, institute proceedings for the Issuer to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for the Issuer’s winding up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of the Issuer; and/or
- (ii) in the case of (b) or (c) above, claim or prove in the winding-up, dissolution or liquidation of the Issuer,

but (in either case) may take no further or other action to enforce, claim or prove for any payment by the Issuer in respect of the Notes and may only claim such payment in the winding-up, dissolution or liquidation of the Issuer.

In any of the events or circumstances described in (b) or (c) above, the holder of any Note may give notice to the Issuer that the 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, subject to the subordination provisions described under Condition 3 above.

The holder of any Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to the provisions above, any obligation for the payment of any principal or interest in respect of the Notes), provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any amount or amounts sooner than the same would otherwise have been payable by it, except with the prior approval of the BRSA.

No remedy against the Issuer, other than as provided above, shall be available to the holders of Notes, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations, covenants or undertakings under the Notes.

11. 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 (i) evidence of such loss, theft, mutilation, defacement or destruction, and (ii) indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. 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.

13. MEETINGS OF NOTEHOLDERS AND MODIFICATION

13.1 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.

13.2 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 12.

14. 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.

15. GOVERNING LAW AND SUBMISSION TO JURISDICTION

15.1 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, except for the provisions of Condition 3, which will be governed by, and construed in accordance with, Turkish law.

15.2 Jurisdiction of courts of England

The Issuer has irrevocably agreed for the benefit of the Noteholders that the courts of London, 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.

15.3 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 sentence of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Article 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

15.4 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.

15.5 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, on terms substantially similar to those set out above.

16. 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 the Global Certificates, some of which modify the effect of the Conditions of the 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 the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of DTC or 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 or 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 Global Certificates. Each Accountholder must look solely to DTC or 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 holders of the Global Certificates 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.

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 12. 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 Euroclear or Clearstream, Luxembourg or DTC, 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 Euroclear, Clearstream, Luxembourg or DTC 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 Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants, as more fully described under "Book-Entry Clearance Systems."

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 participant’s or indirect DTC participant’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. 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 depository. 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 depository 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 participants.

Distributions with respect to interests in the Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants 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 depository 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 direct participants 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 participants.

Distributions with respect to the Notes held beneficially through Euroclear will be credited to cash accounts of Euroclear participants 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(s) accepted in its book-entry settlement system. Upon the issue of any such 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 such 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 a Regulation S Certificate will be limited to direct or indirect participants of Euroclear and/or Clearstream, Luxembourg, as applicable. Ownership of beneficial interests in a 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 participants) and the records of direct Euroclear and/or Clearstream, Luxembourg participants (with respect to interests of indirect Euroclear and/or Clearstream, Luxembourg participants).

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 direct participants on the applicable payment date. The Bank also expects that payments by direct DTC, Clearstream, Luxembourg or Euroclear participants 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 direct participant 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 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 direct participants 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, on the one hand, and Clearstream, Luxembourg 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 Issue Date, transfers of 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 participants and 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 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 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

Notice pursuant to IRS Circular 230

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

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

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

The discussion below is based upon the Code, US Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as in effect as of the date of this 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.

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

Payments of Interest

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

Sale, Exchange and Redemption of Notes

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

Information Reporting and Backup Withholding

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

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

Recently Enacted Legislation

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 Notes for taxable years beginning after December 31, 2012. US Holders should consult their tax advisers regarding the effect, if any, of this new legislation on their investment in the 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 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 Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the investment by a person where the 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 a permanent representative, 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 Notes) issued abroad by Turkish corporates 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.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration; *however*, pursuant to Law numbered 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 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 Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

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% in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (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 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 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 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 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 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 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 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 Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein).

PLAN OF DISTRIBUTION

The Bank intends to offer the 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 dated October 22, 2012 among the Initial Purchasers and the Bank (the “*Subscription Agreement*”), each of the Initial Purchasers has severally agreed to purchase, and the Bank has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser’s name below.

<i>Initial Purchasers</i>	<i>Principal Amount of Notes</i>
Deutsche Bank AG, London Branch.....	US\$250,000,000
J.P. Morgan Securities plc.....	US\$250,000,000
Mitsubishi UFJ Securities International plc	US\$250,000,000
Standard Chartered Bank	US\$250,000,000
Total	US\$1,000,000,000

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

The Bank has been informed that the Initial Purchasers propose to resell beneficial interests in the Notes at the 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 outside the United States in reliance upon Regulation S. See “Transfer Restrictions.” The prices at which beneficial interests in the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the United States will be made by those Initial Purchasers or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder.

The 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.

The Notes will constitute a new class of securities of the Bank with no established 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. Applications have been made to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the Market; *however*, no assurance can be given that such applications will be accepted. Accordingly, the Bank cannot provide any assurances to investors as to the liquidity of or the trading market for the Notes.

In connection with the offering, one or more Initial Purchaser(s) may purchase and sell Notes (or beneficial interests therein) in the open market. These transactions may include overallotment, syndicate covering transactions and stabilizing transactions. Overallotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be purchased by the Initial Purchasers in this Offering, which creates a short position for the Initial Purchasers. Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) while the offering is in progress. Any of these activities may have the effect of

preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They may also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Bank expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date 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 15c6-1 of the Exchange Act, trades in the secondary market 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 Notes on the date of this Offering Circular or the next New York business days will be required, by virtue of the fact that the 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 Notes who wish to trade interests in the Notes 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 Notes offered hereby.

The Initial Purchasers and their 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.

Broker Commissions

To the extent permitted by local law, the Joint Lead Managers and Issuer have agreed that commissions may be offered to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Notes purchased by such intermediary and/or its customers. Each such intermediary is required by law to comply with any disclosure and other obligations related thereto, and each customer of any such intermediary is responsible for determining for itself whether an investment in the Notes is consistent with its investment objectives.

SELLING RESTRICTIONS

NOTICE TO RESIDENTS OF TURKEY

THE OFFERING OF THE NOTES HAS BEEN AUTHORIZED BY AND WILL BE REGISTERED WITH THE CMB ONLY FOR THE PURPOSE OF THE SALE OF THE NOTES OUTSIDE OF TURKEY IN ACCORDANCE WITH ARTICLE 15(B) OF DECREE 32 AND ARTICLES 6 AND 25 OF THE COMMUNIQUÉ. THE 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 (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 NOTES; *PROVIDED* THAT, FOLLOWING THE PRIMARY SALE OF THE NOTES, NO TRANSACTION THAT MAY BE DEEMED AS A SALE OF THE 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 NOTES (OR BENEFICIAL INTERESTS THEREIN) IN SECONDARY MARKETS BY RESIDENTS OF TURKEY; *PROVIDED* THAT THEY PURCHASE OR SELL SUCH NOTES (OR BENEFICIAL INTERESTS) IN THE FINANCIAL MARKETS OUTSIDE OF TURKEY AND SUCH SALE AND PURCHASE IS MADE THROUGH BANKS AND/OR LICENSED BROKERAGE INSTITUTIONS AUTHORIZED PURSUANT TO CMB REGULATIONS. THE REGISTRATION CERTIFICATE RELATING TO THE NOTES IS EXPECTED TO BE OBTAINED FROM THE CMB ON OR ABOUT OCTOBER 19, 2012.

THE INITIAL PURCHASERS HAVE AGREED THAT NEITHER THEY NOR ANY OF THEIR RESPECTIVE AFFILIATES, NOR ANY PERSON ACTING ON THEIR BEHALF, HAS ENGAGED OR WILL ENGAGE IN ANY DIRECTED SELLING EFFORTS WITHIN TURKEY IN CONNECTION WITH THE NOTES. THE INITIAL PURCHASERS HAVE AGREED THAT NEITHER THEY NOR ANY OF THEIR RESPECTIVE AFFILIATES, NOR ANY PERSON ACTING ON THEIR BEHALF: (a) HAS ENGAGED OR WILL ENGAGE IN ANY FORM OF GENERAL SOLICITATION OR GENERAL ADVERTISING IN CONNECTION WITH ANY OFFER AND SALE OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN) IN TURKEY OR (b) WILL MAKE ANY DISCLOSURE IN TURKEY IN RELATION TO THE ISSUER, THE NOTES OR THIS OFFERING CIRCULAR WITHOUT THE PRIOR CONSENT OF THE ISSUER, EXCEPT AS MAY BE REQUIRED BY APPLICABLE LAW, COURT ORDER OR REGULATION.

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 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 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 Notes described herein. The 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 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 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 Notes has been or will be filed with or approved by any Swiss regulatory authority. The 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 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 Notes (or beneficial interests therein), or possession or distribution of this Offering Circular or any other offering or publicity material relating to the 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 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 Notes (or beneficial interests therein) by it will be made on the same terms.

THE INITIAL PURCHASERS HAVE REPRESENTED AND AGREED THAT THEY WILL NOT SELL 10% OR MORE OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES AS PART OF THEIR INITIAL DISTRIBUTION AT ANY TIME TO ANY ONE PERSON (INCLUDING ITS SUBSIDIARIES AND AFFILIATES) (TOGETHER AN “*INVESTOR GROUP*”) (EXCEPT WHERE NOTES ARE BEING PURCHASED ON BEHALF OF ANY OTHER PERSON(S) AND NO INDIVIDUAL PERSON OR INVESTOR GROUP WILL HAVE A BENEFICIAL INTEREST IN MORE THAN 10% OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES AS A RESULT OF SUCH PURCHASE).

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, investors in the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the 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 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 outside the United States in compliance with Regulation S under the Securities Act.

If an investor invests in the 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 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 therefrom 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 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 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 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 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 Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Bank and the Initial Purchasers.
- (d) Such investor is purchasing the 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 will agree (or will be deemed to agree), to offer, sell or otherwise transfer such 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 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 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 THE NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF 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 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 THE NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF 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) Such investor acknowledges that the Registrar will not be required to accept for registration of transfer any 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.
- (g) 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 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 Notes.
- (h) Such investor agrees that it will give to each person to whom it transfers a Note notice of any restrictions on the transfer of such Note.
- (i) 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 Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to the Bank or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under this “Transfer Restrictions” section and “Selling Restrictions.”
- (j) Each purchaser and transferee of a Note (or a beneficial interest therein) will be deemed to represent and warrant that either: (i) it is not acquiring the 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 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 Notes will be passed upon for the Bank by Mayer Brown LLP (or affiliates thereof) as to matters of United States law and by Yazıcı Legal 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 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 the resolution of its Board of Directors dated October 2, 2012.

Listing

Applications have been made to the UK Listing Authority for the Notes to be admitted to listing on the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market; *however*, no assurance can be given that such applications will be accepted. The admission of the Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on or about October 24, 2012, subject only to the issue of the Notes. Prior to the listing of the Notes on the Official List, dealings will be permitted by the London Stock Exchange in accordance with its rules.

Clearing Systems

The Rule 144A Certificates have been accepted into DTC's book-entry settlement system and the Regulation S Certificates have been accepted into the applicable systems used by Euroclear and Clearstream, Luxembourg (CUSIP number 900151AB7, ISIN code US900151AB70 and Common Code number 084768294 with respect to the Rule 144A Notes, and ISIN code XS0847042024 and Common Code number 084704202 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: (a) no significant change in the financial or trading position of either the Group or the Bank since June 30, 2012, being the end of the last financial period for which the BRSA Financial Statements have been published, and (b) no material adverse change in the financial position or prospects of either the Group or the Bank since December 31, 2011.

Interests of Natural and Legal Persons Involved in the Issue

So far as the Bank is aware, no person involved in the offer of the Notes has an interest material to the offer.

Accounts and Auditors

The BRSA Annual Financial Statements as of and for the year ended December 31, 2009 have been audited in accordance with the "Regulation Regarding the Authorization and Activities of Incorporations that will Perform Independent Audit at Banks" published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing by Deloitte, which is located at Sun Plaza, Maslak Mah. Bilim Sk. No:5, Şişli, İstanbul 34398, Turkey. The BRSA Annual Financial Statements as of and for the years ended December 31, 2010 and 2011 have been audited in accordance with such regulation and the International Standards on Auditing by KPMG, which is located at Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No 3, 34805 Beykoz, İstanbul, Turkey. Both Deloitte and KPMG are independent certified public accountants in Turkey and authorized by the BRSA to conduct independent audits of banks in Turkey. See "Management's Discussion and Analysis of Financial Condition and Results of Operation – Audit Qualification."

The IFRS Financial Statements as of and for the years ended December 31, 2009 have been audited in accordance with the International Standards on Auditing by Deloitte. 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. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Audit Qualification.”

The BRSA Interim Financial Statements as of and for the six month period ended June 30, 2012 have been reviewed in accordance with the “Regulation Regarding the Authorization and Activities of Incorporations that will Perform Independent Audit at Banks” published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing by KPMG. With respect to such BRSA Interim Financial Statements as of and for the six month period ended June 30, 2012 (with June 30, 2011 as the comparative period) attached to this Offering Circular, KPMG has reported that they applied limited procedures in accordance with professional standards for a review of such information; *however*, their separate report attached to this Offering Circular states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation – 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 4 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, 2010 and 2011 and the six month periods ended June 30, 2011 and 2012, and copies of the transaction documents referred to herein (including the forms of the Notes) will be available for inspection, at the offices of the Bank and the Fiscal Agent.

Copies of this Offering Circular, the constitutional documents of the Bank and (after the Issue Date) the Deed of Covenant, the Deed Poll and the Agency Agreement will be available for inspection at the Bank’s office at İş Kuleleri, 34330 Levent, Istanbul, Turkey.

Material Contracts

Except as disclosed in this Offering Circular under “Business of the Group,” 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 Notes.

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BRSA FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND 2011 AND THE SIX MONTHS ENDED JUNE 30, 2012

Following are: (a) the BRSA consolidated financial statements of the Group and the BRSA unconsolidated financial statements of the Bank and notes thereto for the six months ended June 30, 2012, together with the review report thereon, and (b) 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, 2010 and 2011, 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, 2009 are incorporated into the corresponding BRSA Financial Statements for the year ended December 31, 2010.

**UNAUDITED BRSA FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2012 (INCLUDING NUMBERS FOR THE CORRESPONDING PERIOD IN 2011)**

(Convenience Translation of Consolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)

Türkiye İş Bankası Anonim Şirketi
Consolidated Interim Financial Statements
As at and For the Six-month Period Ended
30 June 2012

With Independent Auditors' Review Report Thereon

(Convenience Translation of Consolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

8 August 2012

This report includes "Independent Auditors' Review Report" comprising 1 page and; "Consolidated Interim Financial Statements and Related Disclosures and Footnotes" comprising 77 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' Review Report
Originally Prepared and Issued in Turkish (See Note I in Section Three)**

To the Board of Directors of Türkiye İş Bankası Anonim Şirketi;

We have reviewed the consolidated balance sheet of Türkiye İş Bankası Anonim Şirketi ("the Bank") and its financial subsidiaries (together "the Group") as at 30 June 2012 and the related consolidated interim statements of income, changes in equity and cash flows for the six-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors, is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with the uniform chart of accounts, accounting and audit standards in conformity with the (Turkish) Banking Law No 5411. These standards require that we plan and perform the review to obtain reasonable assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

The accompanying consolidated interim financial statements as at 30 June 2012 included 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.

Based on our review, except for the effect on the consolidated interim financial statements of the matter described in the third paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly the financial position of Türkiye İş Bankası Anonim Şirketi and its financial subsidiaries as at 30 June 2012, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and Article 38 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and circulars on accounting and financial reporting principles issued by the Banking Regulation and Supervision Board and explanations by Banking Regulation and Supervision Agency.

İstanbul
8 August 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 Section Three, the accompanying consolidated interim 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 INTERIM FINANCIAL REPORT
AS AT AND FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 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 at and for the six-month period ended 30 June 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 INTERIM 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 INTERIM FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS’ REVIEW 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.	
CAMIŞ MENKUL DEĞERLER A.Ş.	
CLOSED JOINT STOCK COMPANY İŞBANK (CJSC İŞBANK)	
EFES VARLIK YÖNETİM A.Ş.	
İS 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 GMBH	
MAXIS SECURITIES LTD.	
MİLLİ REASÜRANS T.A.Ş.	
TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
TSKB YATIRIM ORTAKLIĞI A.Ş.	
TÜRKİYE SİNAİ 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 limited review 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

Aziz Ferit Eraslan
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

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E-mail : Suleyman.Ozcan@isbank.com.tr
investorrelations@isbank.com.tr

Website : www.isbank.com.tr

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TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(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

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. 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 at 30 June 2012, 40.73% of the Bank’s shares are owned by Türkiye İş Bankası A.Ş. Members’ Supplementary Pension Fund, 28.09% are owned by the Republican People’s Party (Atatürk’s shares) and 31.18% 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
Fusun 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

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

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 ⁽¹⁾
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

⁽¹⁾ Mr. Özcan Türkakın attends the meetings of the Risk Committee that are held on a consolidated basis.

The Parent Bank's shares owned by the Directors and members of the Audit Committee, to the Chief Executive Officer 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)	1,832,623	40.73%	1,832,623	
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.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

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 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 GMBH
- MAXIS SECURITIES LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- TSKB YATIRIM ORTAKLIĞI A.Ş.
- TÜRKİYE SİNAİ 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 pensions, reinsurance, finance leasing, factoring, real estate investment, brokerage, investment consulting, portfolio and asset management. Those companies are explained below.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

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).

Camış 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 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 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.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

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 at 30 June 2012, 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 at 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.

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

SECTION TWO: CONSOLIDATED INTERIM FINANCIAL STATEMENTS

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) - ASSETS

		Foot notes	THOUSANDS TL					
			CURRENT PERIOD (30/06/2012)			PRIOR PERIOD (31/12/2011)		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	2,859,167	10,680,405	13,539,572	5,070,089	8,816,488	13,886,577
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	V-I-2	1,297,477	606,393	1,903,870	1,436,801	981,320	2,418,121
2.1	Financial Assets Held for Trading		1,297,477	606,393	1,903,870	1,436,801	981,320	2,418,121
2.1.1	Government Debt Securities		803,493	5,539	809,032	964,169	12,024	976,193
2.1.2	Equity Securities		138,550	27	138,577	153,621	-	153,621
2.1.3	Derivative Financial Assets Held for Trading		165,686	553,522	719,208	40,368	921,321	961,689
2.1.4	Other Marketable Securities		189,748	47,305	237,053	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-3	523,414	3,923,808	4,447,222	602,461	4,145,445	4,747,906
IV.	MONEY MARKET PLACEMENTS		170,522	-	170,522	128,472	43,141	171,613
4.1	Interbank Money Market Placements		-	-	-	-	43,141	43,141
4.2	Istanbul Stock Exchange Money Market Placements		170,012	-	170,012	120,520	-	120,520
4.3	Receivables from Reverse Repurchase Agreements		510	-	510	7,952	-	7,952
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	V-I-4	25,375,740	8,110,229	33,485,969	22,218,908	11,338,158	33,557,066
5.1	Equity Securities		120,450	2,957	123,407	67,930	2,957	70,887
5.2	Government Debt Securities		24,963,909	6,045,576	31,009,485	21,987,623	8,457,768	30,445,391
5.3	Other Marketable Securities		291,381	2,061,696	2,353,077	163,355	2,877,433	3,040,788
VI.	LOANS AND RECEIVABLES	V-I-5	67,616,075	38,396,139	106,012,214	60,393,116	38,635,006	99,028,122
6.1	Loans and receivables		67,616,075	38,396,139	106,012,214	60,393,116	38,635,006	99,028,122
6.1.1	Loans to the Bank's Risk Group		147,342	425,544	572,886	124,842	577,347	702,189
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		67,468,733	37,970,595	105,439,328	60,268,274	38,057,659	98,325,933
6.2	Non-Performing Loans		1,934,976	113,650	2,048,626	1,986,423	122,996	2,109,419
6.3	Specific Provisions (-)		1,934,976	113,650	2,048,626	1,986,423	122,996	2,109,419
VII.	FACTORING RECEIVABLES		642,555	24,726	667,281	401,882	2,771	404,653
VIII.	INVESTMENTS HELD TO MATURITY (Net)	V-I-6	11,866,295	8,199	11,874,494	13,693,624	13,808	13,707,432
8.1	Government Debt Securities		11,859,396	-	11,859,396	13,686,705	-	13,686,705
8.2	Other Marketable Securities		6,899	8,199	15,098	6,919	13,808	20,727
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	789,277	215	789,492	776,804	147	776,951
9.1	Associates Accounted for Using the Equity Method		82,537	-	82,537	74,405	-	74,405
9.2	Unconsolidated Associates		706,740	215	706,955	702,399	147	702,546
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-Financial Investments		706,740	215	706,955	702,399	147	702,546
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	3,337,608	-	3,337,608	3,202,087	-	3,202,087
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		3,337,608	-	3,337,608	3,202,087	-	3,202,087
XI.	JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	V-I-9	-	-	-	-	-	-
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-10	283,260	1,051,417	1,334,677	224,157	1,152,233	1,376,390
12.1	Finance Lease Receivables		332,420	1,209,641	1,542,061	268,745	1,330,620	1,599,365
12.2	Operating Lease Receivables		5,783	-	5,783	2,278	-	2,278
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		54,943	158,224	213,167	46,866	178,387	225,253
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	V-I-11	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		2,027,779	78,063	2,105,842	2,083,637	83,215	2,166,852
XV.	INTANGIBLE ASSETS (Net)		138,774	712	139,486	119,841	511	120,352
15.1	Goodwill		35,974	-	35,974	29,590	-	29,590
15.2	Other		102,800	712	103,512	90,251	511	90,762
XVI.	INVESTMENT PROPERTY (Net)	V-I-12	1,050,085	-	1,050,085	1,037,294	-	1,037,294
XVII.	TAX ASSETS	V-I-13	679,107	3,361	682,468	651,686	4,233	655,919
17.1	Current Tax Asset		24,476	171	24,647	18,822	1,313	20,135
17.2	Deferred Tax Asset		654,631	3,190	657,821	632,864	2,920	635,784
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-14	64,258	-	64,258	60,256	-	60,256
18.1	Held for Sale		64,258	-	64,258	60,256	-	60,256
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	V-I-15	6,545,441	1,066,649	7,612,090	5,404,327	1,213,912	6,618,239
	TOTAL ASSETS		125,266,834	63,950,316	189,217,150	117,505,442	66,430,388	183,935,830

TÜRKİYE İŞ BANKASI AŞ

(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 (30/06/2012)			PRIOR PERIOD (31/12/2011)		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	57,039,792	42,841,087	99,880,879	59,387,345	39,444,651	98,831,996
1.1	Deposits from the Bank's Risk Group		729,443	1,342,749	2,072,192	737,617	1,395,545	2,133,162
1.2	Other		56,310,349	41,498,338	97,808,687	58,649,728	38,049,106	96,698,834
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-2	300,700	352,834	653,534	471,036	445,050	916,086
III.	FUNDS BORROWED	V-II-3	1,206,257	17,597,678	18,803,935	542,151	18,237,124	18,779,275
IV.	MONEY MARKET FUNDS		17,257,206	4,265,100	21,522,306	16,425,130	6,047,852	22,472,982
4.1	Interbank Money Market Funds		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Funds		1,964,846	-	1,964,846	1,975,830	-	1,975,830
4.3	Funds Provided Under Repurchase Agreements		15,292,360	4,265,100	19,557,460	14,449,300	6,047,852	20,497,152
V.	MARKETABLE SECURITIES ISSUED (Net)	V-II-4	4,480,474	913,148	5,393,622	2,822,425	943,451	3,765,876
5.1	Bills		3,337,645	-	3,337,645	1,888,329	-	1,888,329
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		1,142,829	913,148	2,055,977	934,096	943,451	1,877,547
VI.	FUNDS		2,700	5,582	8,282	1,559	6,335	7,894
6.1	Borrower Funds		2,700	5,582	8,282	1,559	6,335	7,894
6.2	Other		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		8,139,198	525,759	8,664,957	6,477,050	684,671	7,161,721
VIII.	OTHER LIABILITIES	V-II-5	660,355	1,788,390	2,448,745	958,493	1,483,989	2,442,482
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	V-II-6	-	-	-	-	-	-
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-7	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XII.	PROVISIONS	V-II-8	8,865,055	491,415	9,356,470	8,186,512	527,356	8,713,868
12.1	General Loan Loss Provision		1,509,623	8,007	1,517,630	1,309,809	6,126	1,315,935
12.2	Provision for Restructuring		-	-	-	-	-	-
12.3	Reserves for Employee Benefits		314,201	1,397	315,598	285,879	1,577	287,456
12.4	Insurance Technical Reserves (Net)		4,096,379	460,276	4,556,655	3,841,450	493,191	4,334,641
12.5	Other Provisions		2,944,852	21,735	2,966,587	2,749,374	26,462	2,775,836
XIII.	TAX LIABILITY	V-II-9	549,300	5,291	554,591	432,460	5,621	438,081
13.1	Current Tax Liability		547,064	4,131	551,195	429,620	4,371	433,991
13.2	Deferred Tax Liability		2,236	1,160	3,396	2,840	1,250	4,090
XIV.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	V-II-10	-	90,490	90,490	-	95,000	95,000
XVI.	SHAREHOLDERS' EQUITY	V-II-11	21,428,142	411,197	21,839,339	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		2,974,656	324,363	3,299,019	2,669,140	139,462	2,808,602
16.2.1	Share premium		33,937	-	33,937	33,937	-	33,937
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Value Increase Fund		1,325,960	324,363	1,650,323	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		10,332,948	52,010	10,384,958	8,288,613	63,389	8,352,002
16.3.1	Legal Reserves		2,031,062	-	2,031,062	1,838,830	-	1,838,830
16.3.2	Statutory Reserves		48,553	-	48,553	39,586	-	39,586
16.3.3	Extraordinary Reserves		8,307,832	9,497	8,317,329	6,363,703	(439)	6,363,264
16.3.4	Other Profit Reserves		(54,499)	42,513	(11,986)	46,494	63,828	110,322
16.4	Profit or Loss		1,011,004	12,714	1,023,718	2,165,106	14,409	2,179,515
16.4.1	Prior Years' Profit/Loss		(613,783)	4,473	(609,310)	(93,632)	1,608	(92,024)
16.4.2	Current Period Profit/Loss		1,624,787	8,241	1,633,028	2,258,738	12,801	2,271,539
16.5	Non-controlling Interest	V-II-12	2,609,534	22,110	2,631,644	2,465,002	5,448	2,470,450
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		119,929,179	69,287,971	189,217,150	115,792,022	68,143,808	183,935,830

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

III. CONSOLIDATED OFF-BALANCE SHEET ITEMS

	Footnotes	THOUSANDS TL					
		CURRENT PERIOD (30/06/2012)			PRIOR PERIOD (31/12/2011)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	V-III	167,550,611	96,378,271	263,928,882	149,403,079	82,684,666	232,087,745
I. GUARANTEES AND SURETYSHIPS		11,670,276	18,472,920	30,143,196	10,240,267	16,967,964	27,208,231
1.1.Letters of Guarantee		11,616,169	10,456,431	22,072,600	10,195,804	9,728,469	19,924,273
1.1.1.Guarantees Subject to State Tender Law		769,959	2,533,397	3,303,356	559,333	2,315,888	2,875,221
1.1.2.Guarantees Given for Foreign Trade Operations		1,072,422	2,195,653	3,268,075	935,015	1,817,872	2,752,887
1.1.3.Other Letters of Guarantee		9,773,788	5,727,381	15,501,169	8,701,456	5,594,709	14,296,165
1.2.Bank Acceptances		12,647	559,214	571,861	3,628	496,827	500,455
1.2.1.Import Letters of Acceptance		-	119,276	119,276	-	123,643	123,643
1.2.2.Other Bank Acceptances		12,647	439,938	452,585	3,628	373,184	376,812
1.3.Letters of Credit		-	6,113,667	6,113,667	-	5,761,529	5,761,529
1.3.1.Documentary Letters of Credit		-	4,486,710	4,486,710	-	4,289,291	4,289,291
1.3.2.Other Letters of Credit		-	1,626,957	1,626,957	-	1,472,238	1,472,238
1.4.Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.Endorsements		-	829,667	829,667	-	375,869	375,869
1.5.1.Endorsements to the Central Bank of Turkey		-	829,667	829,667	-	375,869	375,869
1.5.2.Other Endorsements		-	-	-	-	-	-
1.6.Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7.Factoring Guarantees		-	-	-	-	-	-
1.8.Other Guarantees		41,460	513,941	555,401	40,835	605,270	646,105
1.9.Other Suretyships		-	-	-	-	-	-
II. COMMITMENTS		127,952,725	11,421,113	139,373,838	119,068,963	11,961,315	131,030,278
2.1.Irrevocable Commitments		30,597,552	9,177,553	39,775,105	27,247,865	8,912,156	36,160,021
2.1.1.Forward Asset Purchase Commitments		61,810	1,686,586	1,748,396	247,677	1,055,617	1,303,294
2.1.2.Forward Deposit Purchase and Sale Commitments		-	55,246	55,246	-	-	-
2.1.3.Capital Commitment for Associates and Subsidiaries		1,000	-	1,000	25,408	-	25,408
2.1.4.Loan Granting Commitments		5,632,139	3,872,684	9,504,823	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		6,267,886	-	6,267,886	4,914,758	-	4,914,758
2.1.8.Tax and Fund Liabilities from Export Commitments		11,393	-	11,393	10,283	-	10,283
2.1.9.Commitments for Credit Card Expenditure Limits		14,465,266	-	14,465,266	13,172,835	-	13,172,835
2.1.10.Commitments for Credit Cards and Banking Services Promotions		66,600	-	66,600	60,325	-	60,325
2.1.11.Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12.Payables for Short Sale Commitments		38,338	-	38,338	6,510	-	6,510
2.1.13.Other Irrevocable Commitments		4,053,120	3,563,037	7,616,157	3,734,882	3,456,951	7,191,833
2.2.Revocable Commitments		97,355,173	2,243,560	99,598,733	91,821,098	3,049,159	94,870,257
2.2.1.Revocable Loan Granting Commitments		97,355,173	2,243,560	99,598,733	91,821,098	3,049,159	94,870,257
2.2.2.Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		27,927,610	66,484,238	94,411,848	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		27,927,610	66,484,238	94,411,848	20,093,849	53,755,387	73,849,236
3.2.1.Forward Foreign Currency Buy/Sell Transactions		7,054,183	12,437,064	19,491,247	5,697,408	12,279,532	17,976,940
3.2.1.1.Forward Foreign Currency Buy Transactions		4,609,607	5,182,806	9,792,413	4,624,783	4,366,439	8,991,222
3.2.1.2.Forward Foreign Currency Sell Transactions		2,444,576	7,254,258	9,698,834	1,072,625	7,913,093	8,985,718
3.2.2.Currency and Interest Rate Swaps		18,850,305	45,760,528	64,610,833	12,531,280	33,214,795	45,746,075
3.2.2.1.Currency Swap Buy Transactions		4,313,237	14,569,126	18,882,363	2,686,329	7,574,161	10,260,490
3.2.2.2.Currency Swap Sell Transactions		7,329,068	11,729,474	19,058,542	3,524,951	6,852,196	10,377,147
3.2.2.3.Interest Rate Swap Buy Transactions		3,604,000	9,730,964	13,334,964	3,160,000	9,394,219	12,554,219
3.2.2.4.Interest Rate Swap Sell Transactions		3,604,000	9,730,964	13,334,964	3,160,000	9,394,219	12,554,219
3.2.3.Currency, Interest Rate and Security Options		1,973,450	7,035,704	9,009,154	1,812,128	7,447,115	9,259,243
3.2.3.1.Currency Call Options		1,055,061	1,255,670	2,310,731	906,064	1,476,887	2,382,951
3.2.3.2.Currency Put Options		751,531	1,543,372	2,294,903	906,064	1,473,548	2,379,612
3.2.3.3.Interest Rate Call Options		60,000	2,118,331	2,178,331	-	2,248,340	2,248,340
3.2.3.4.Interest Rate Put Options		60,000	2,118,331	2,178,331	-	2,248,340	2,248,340
3.2.3.5.Securities Call Options		23,429	-	23,429	-	-	-
3.2.3.6.Securities Put Options		23,429	-	23,429	-	-	-
3.2.4.Currency Futures		19,835	21,725	41,560	22,504	24,251	46,755
3.2.4.1.Currency Buy Futures		14,668	6,183	20,851	8,909	14,631	23,540
3.2.4.2.Currency Sell Futures		5,167	15,542	20,709	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		29,837	1,229,217	1,259,054	30,529	789,694	820,223

TÜRKİYE İŞ BANKASI AŞ*(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)***III. CONSOLIDATED OFF-BALANCE SHEET ITEMS (continued)**

	Footnotes	THOUSANDS TL					
		CURRENT PERIOD (30/06/2012)			PRIOR PERIOD (31/12/2011)		
		TL	FC	Total	TL	FC	Total
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	V-III	215,399,463	113,866,622	329,266,085	195,777,214	104,222,552	299,999,766
IV. ITEMS HELD IN CUSTODY		106,848,465	8,527,726	115,376,191	97,368,872	8,902,396	106,271,268
4.1. Customers' securities held		21,847,684	685,466	22,533,150	19,928,397	803,652	20,732,049
4.2. Investment securities held in custody		68,139,922	618,194	68,758,116	62,962,021	560,687	63,522,708
4.3. Cheques received for collection		12,524,211	2,214,946	14,739,157	10,841,853	2,049,397	12,891,250
4.4. Commercial notes received for collection		1,970,109	2,878,912	4,849,021	1,674,125	2,891,371	4,565,496
4.5. Other assets received for collection		4,738	31,618	36,356	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		1,253,801	2,098,590	3,352,391	1,204,075	2,561,665	3,765,740
4.8. Custodians		1,105,459	-	1,105,459	752,379	-	752,379
V. PLEDGED ITEMS		107,555,930	80,829,537	188,385,467	97,444,612	70,315,733	167,760,345
5.1. Marketable securities		2,007,669	1,066,312	3,073,981	1,901,677	1,282,865	3,184,542
5.2. Guarantee notes		4,204,009	6,886,493	11,090,502	3,727,231	7,241,368	10,968,599
5.3. Commodity		26,547,062	1,717,079	28,264,141	23,101,518	1,282,037	24,383,555
5.4. Warranty		-	-	-	-	-	-
5.5. Real Estates		69,416,855	41,653,868	111,070,723	62,569,140	31,229,055	93,798,195
5.6. Other pledged items		5,380,335	29,467,706	34,848,041	6,145,046	29,222,587	35,367,633
5.7. Pledged items-depository		-	38,079	38,079	-	57,821	57,821
VI. ACCEPTED BILL GUARANTEES AND SURETIES		995,068	24,509,359	25,504,427	963,730	25,004,423	25,968,153
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		382,950,074	210,244,893	593,194,967	345,180,293	186,907,218	532,087,511

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

IV. CONSOLIDATED INCOME STATEMENT

		THOUSANDS TL				
		CURRENT PERIOD (01/01-30/06/2012)	PRIOR PERIOD (01/01-30/06/2011)	CURRENT PERIOD (01/04-30/06/2012)	PRIOR PERIOD (01/04-30/06/2011)	
		Footnotes				
I.	INTEREST INCOME	V-IV-1	7,262,846	5,581,593	3,672,294	2,884,012
1.1	Interest Income on Loans		4,878,553	3,359,160	2,493,965	1,744,387
1.2	Interest Income on Reserve Deposits		-	-	-	-
1.3	Interest Income on Banks		104,208	104,572	48,820	52,119
1.4	Interest Income on Money Market Placements		6,394	605	386	470
1.5	Interest Income on Marketable Securities Portfolio		2,174,913	2,041,680	1,079,502	1,048,035
1.5.1	Financial Assets Held for Trading		54,993	21,994	20,931	18,260
1.5.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-
1.5.3	Financial Assets Available for Sale		1,259,425	1,176,894	649,119	591,622
1.5.4	Held to Maturity Investments		860,495	842,792	409,452	438,153
1.6	Finance Lease Income		50,613	48,478	25,901	26,095
1.7	Other Interest Income		48,165	27,098	23,720	12,906
II.	INTEREST EXPENSE	V-IV-2	4,134,244	2,993,522	2,057,050	1,606,710
2.1	Interest on Deposits		2,777,901	2,338,085	1,349,872	1,208,158
2.2	Interest on Funds Borrowed		179,863	163,305	89,035	90,372
2.3	Interest on Money Market Funds		941,639	415,596	493,915	256,603
2.4	Interest on Securities Issued		194,574	64,520	110,437	45,521
2.5	Other Interest Expense		40,267	12,016	13,791	6,056
III.	NET INTEREST INCOME / EXPENSE (I - II)		3,128,602	2,588,071	1,615,244	1,277,302
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSE		592,303	531,250	316,960	296,179
4.1	Fees and Commissions Received		988,926	844,560	522,265	454,190
4.1.1	Non-cash Loans		91,913	63,178	47,834	30,601
4.1.2	Other		897,013	781,382	474,431	423,589
4.2	Fees and Commissions Paid		396,623	313,310	205,305	158,011
4.2.1	Non-cash Loans		4,713	3,120	2,438	1,634
4.2.2	Other		391,910	310,190	202,867	156,377
V.	DIVIDEND INCOME		204,528	171,988	163,941	146,431
VI.	TRADING INCOME / LOSS (NET)	V-IV-3	487,624	144,183	305,629	15,074
6.1	Gains/Losses on Securities Trading		288,578	33,859	182,420	7,030
6.2	Derivative Financial Transactions Gains/Losses		(110,554)	377,159	(115,457)	62,443
6.3	Foreign Exchange Gains/Losses		309,600	(266,835)	238,666	(54,399)
VII.	OTHER OPERATING INCOME	V-IV-4	2,170,340	1,907,474	1,133,062	940,859
VIII.	TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)		6,583,397	5,342,966	3,534,836	2,675,845
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	901,552	669,307	506,769	324,672
X.	OTHER OPERATING EXPENSES (-)	V-IV-6	3,445,622	3,151,036	1,861,997	1,699,155
XI.	NET OPERATING INCOME (VIII-IX-X)		2,236,223	1,522,623	1,166,070	652,018
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XIII.	PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		8,132	4,002	3,377	2,523
XIV.	NET MONETARY POSITION GAIN/LOSS		-	-	-	-
XV.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)		2,244,355	1,526,625	1,169,447	654,541
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)		455,619	324,129	226,791	132,561
16.1	Current Tax Provision		550,364	105,266	309,801	80,405
16.2	Deferred Tax Provision		(94,745)	218,863	(83,010)	52,156
XVII.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-7	1,788,736	1,202,496	942,656	521,980
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-8	1,788,736	1,202,496	942,656	521,980
23.1	Group's Profit / Loss		1,633,028	1,129,061	874,303	494,394
23.2	Non-controlling Interest (-)		155,708	73,435	68,353	27,586
	Earnings Per Share (in full TL)		0.014515514	0.010035897	0.007771427	0.004394525

TÜRKİYE İŞ BANKASI AŞ

(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 (01/01-30/06/2012)	PRIOR PERIOD (01/01-30/06/2011)
I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	606,813	(402,485)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	(122,308)	58,996
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	(50,633)	941,998
IX. DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	(65,763)	67,347
X. NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	368,109	665,856
XI. PROFIT/LOSS FOR THE PERIOD	1,633,028	1,129,061
11.1 Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	16,034	38,375
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	1,616,994	1,090,686
XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	2,001,137	1,794,917

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

PRIOR PERIOD (30/06/2011)	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 Operations	Total Shareholders' Equity Except Non-controlling Interest	Non- controlling Interest	Total Equity
I. Beginning Balance		4,500,000	1,615,938	33,937		1,600,119	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) Changes During the Period		4,500,000	1,615,938	33,937		1,600,119	28,293	4,312,543	(32,835)	3,028,597	3,028,597	1,241,479		(1,179)			16,336,892	2,649,763	18,986,655
IV. Increase/Decrease Due to Mergers																			
V. Marketable Securities Value Increase Fund												606,860					606,860	100	524,762
VI. Hedge Reserves (Effective Portion)																		(82,098)	
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																			
XI. The Effect of Disposal of Assets									58,996								58,996	(334)	58,662
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		1,129,061	106						756	(2,396)	(1,640)
XIX. Net Profit/ Loss for the Period						228,428	11,293	2,050,354			(3,120,727)						1,129,061	73,435	1,202,496
XX. Profit Distribution						228,428					(830,652)							(79,605)	(910,257)
20.1. Dividend Paid						228,428					(2,290,075)							(79,605)	(910,257)
20.2. Transfer to Reserves																			
20.3. Other																			
Ending Balance (III+IV+V...+XVIII+XIX+XX)		4,500,000	1,615,938	33,937		1,838,661	39,586	6,363,433	26,161	1,129,061	(92,024)	1,846,339		(1,179)			17,301,913	2,558,865	19,860,778

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

VII. CONSOLIDATED STATEMENT OF CASH FLOWS

	Footnotes	THOUSANDS TL	
		CURRENT PERIOD (01/01-30/06/2012)	PRIOR PERIOD (01/01-30/06/2011)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1. Operating Profit Before Changes in Operating Assets and Liabilities		7,817,605	1,744,829
1.1.1. Interest Received		7,783,505	5,581,060
1.1.2. Interest Paid		(3,993,087)	(2,791,758)
1.1.3. Dividend Received		84,863	47,968
1.1.4. Fees and Commissions Received		988,926	844,560
1.1.5. Other Income		2,092,966	1,633,954
1.1.6. Collections from Previously Written Off Loans and Other Receivables		294,740	447,347
1.1.7. Cash Payments to Personnel and Service Suppliers		(1,880,766)	(1,684,696)
1.1.8. Taxes Paid		(525,674)	(270,804)
1.1.9. Other		2,972,132	(2,062,802)
1.2. Changes in Operating Assets and Liabilities		(12,380,931)	(2,743,969)
1.2.1. Net (Increase) Decrease in Financial Assets Held for Trading		282,067	342,787
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		(1,758,964)	(380,680)
1.2.4. Net (Increase) Decrease in Loans		(8,942,490)	(12,763,751)
1.2.5. Net (Increase) Decrease in Other Assets		(998,676)	(846,960)
1.2.6. Net Increase (Decrease) in Bank Deposits		422,240	(945,134)
1.2.7. Net Increase (Decrease) in Other Deposits		(1,177,495)	1,304,973
1.2.8. Net Increase (Decrease) in Funds Borrowed		(544,798)	1,115,771
1.2.9. Net Increase (Decrease) in Matured Payables		-	-
1.2.10. Net Increase (Decrease) in Other Liabilities		337,185	9,429,025
I. Net Cash Provided From Banking Operations		(4,563,326)	(999,140)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / Used in Investing Activities			
2.1. Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(25,368)	(50,800)
2.2. Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		18,814	-
2.3. Tangible Asset Purchases		(118,962)	(203,986)
2.4. Tangible Asset Sales		134,002	169,157
2.5. Cash Paid for Purchase of Financial Assets Available for Sale		(10,074,667)	(10,736,420)
2.6. Cash Obtained from Sales of Financial Assets Available for Sale		10,215,791	13,482,491
2.7. Cash Paid for Purchase of Investment Securities Held to Maturity		(14,611)	(29,922)
2.8. Cash Obtained from Sales of Investment Securities Held to Maturity		1,576,648	681,473
2.9. Other		(52,672)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / Used in Financing Activities			
3.1. Cash Obtained from Funds Borrowed and Securities Issued		3,908,176	3,251,545
3.2. Cash Used for Repayment of Funds Borrowed and Securities Issued		(2,406,541)	(142,919)
3.3. Equity Instruments		-	-
3.4. Dividends Paid		(706,744)	(910,257)
3.5. Payments for Finance Leases		-	-
3.6. Other		-	100
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(297,309)	771,742
V. Net Increase / (Decrease) in Cash and Cash Equivalents		(2,406,769)	5,283,064
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		9,081,159	16,774,877

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

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 interim financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying consolidated interim financial statements. Accordingly, the accompanying consolidated interim 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. 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 global 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.

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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. Information 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.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. 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.

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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.

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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 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 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.

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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 booked 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 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 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.

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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, 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 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. Specific provision is allocated for the total amount of non-performing loans and other receivables, 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.

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.

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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 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. 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

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 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.

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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 are 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" No 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.

Operational lease transactions are recognized in line with the related agreement on an accrual basis

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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 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.

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.

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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 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 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 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 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, Nr.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 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 maximum two years by the Cabinet decision. However, 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, the related period of two years has been raised to four years. The related three-year transfer period has been prolonged for two years by the Cabinet decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900.

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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 at 31 December 2011. 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 16 January 2012 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-8. Besides the Parent Bank, Milli Reasürans T.A.Ş., one of the Group companies, also had an actuarial audit as at 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. There is not any additional operational or actuarial liability from Türkiye Sınai Kalkınma Bankası to the Group.

"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, members retired or died before January 2000 and entitled pension per indexed system of the Law numbered 506, pension payments of pensioners should be recalculated as at 1 January 2012.

The Group started assessment process in order to determine possible liability imposed by pensioners of the Group pension funds covered by the aforementioned amendment.

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.

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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 first six months of the year 2012 will be paid in August 2012 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 higher than the corporate tax payable, the difference is deducted from income tax payable.

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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 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 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.

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XXIII. Equity Shares and Issuance of Equity Shares

Share issuance related to 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 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	1,633,028	1,129,061
Weighted average number of shares (thousands)	112,502,250	112,502,250
Earnings per share – in full TL	0.014515514	0.010035897

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 XI.

XXVII. Other Disclosures

None.

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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 14.41% and 14.21%, 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)	29,284,881		2,456,888	19,277,536	78,670,455	2,075,283	4,840,055
Cash	1,274,384		221				
Securities in Redemption							
Balances with the Central Bank of Turkey	3,490,120						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches			1,834,879		294,385		
Interbank Money Market Placements	10,000						
Receivables from Reverse Repurchase Transactions							
Reserve Deposits	8,570,128						
Loans	3,122,399		267,879	18,959,843	67,807,613	2,075,283	4,840,055
Non-performing Loans (Net)							
Finance Lease Receivables							
Financial Assets Available for Sale							
Held to Maturity Investments	10,209,339				15,036		
Receivables From the Asset Sale on Credit Terms					55		
Miscellaneous Receivables					1,034,855		
Interest and Income Accruals	1,591,029		105,977	317,693	773,744		
Subsidiaries, Associates, and Jointly-Controlled Entities (Net)					6,980,373		
Tangible Assets					1,678,131		
Other Assets	1,017,482		247,932		86,263		
Off Balance Sheet Items	187,843		3,073,615	784,730	24,233,209		
Non-cash Loans and Commitments	187,843		1,994,902	784,730	23,882,736		
Derivative Financial Instruments			1,078,713		350,473		
Non Risk-Weighted Accounts							
Total Risk Weighted Assets	29,472,724		5,530,503	20,062,266	102,903,664	2,075,283	4,840,055

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Information related to consolidated capital adequacy ratio:

	Risk Weights						
	Consolidated						
	0%	10%	20%	50%	100%	150%	200%
Value at Credit Risk							
Balance Sheet Items (Net)	35,759,745		6,086,938	20,723,711	86,489,358	2,075,296	4,840,055
Cash	1,297,493		221				
Securities in Redemption	88						
Balances with the Central Bank of Turkey	3,532,536						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches	43,298		4,043,747		350,514		
Interbank Money Market Placements	169,914						
Receivables from Reverse Repurchase Transactions	510						
Reserve Deposits	8,709,234						
Loans	3,225,957		1,428,060	20,238,658	73,487,947	2,075,296	4,840,055
Non-performing Loans (Net)							
Finance Lease Receivables	2,724		3,391	98,369	1,213,934		
Financial Assets Available for Sale ⁽¹⁾	1,849,368						
Held to Maturity Investments	10,292,165				15,036		
Receivables From Installment Sale of Assets					55		
Miscellaneous Payables	3,702,277		249,280		2,840,207		
Interest and Income Accruals	1,739,962		114,307	386,684	953,811		
Subsidiaries, Associates, and Jointly-Controlled Entities (Net)					4,044,563		
Tangible Assets					3,030,133		
Other Assets	1,194,219		247,932		553,158		
Off Balance Sheet Items	237,577		6,227,627	841,666	25,157,071		
Non-cash Loans and Commitments	237,577		5,074,160	841,666	24,783,627		
Derivative Financial Instruments			1,153,467		373,444		
Non Risk-Weighted Accounts							
Total Risk Weighted Assets	35,997,322		12,314,565	21,565,377	111,646,429	2,075,296	4,840,055

⁽¹⁾ Financial assets available-for-sale is composed of marketable securities blocked on behalf of policyholders of Anadolu Hayat Emeklilik A.Ş., one of the Group companies.

Summary information about the consolidated capital adequacy ratio:

	Bank-Only		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Value at Credit Risk (VaCR)	126,833,932	115,415,085	137,685,085	129,261,458
Value at Market Risk (VaMR)	5,846,325	5,773,788	8,811,638	8,217,200
Value at Operational Risk (VaOR)	11,955,641	11,275,425	12,989,393	12,726,641
Equity	20,546,272	18,631,132	22,981,117	21,187,094
Equity/(VaCR+VaMR+VaOR)*100	14.21	14.07	14.41	14.11

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Information about the consolidated components of equity:

	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	2,031,062	1,838,830
I. Legal Reserve (Turkish Commercial Code 466/1)	1,639,343	1,497,181
II. Legal Reserve (Turkish Commercial Code 466/2)	391,718	341,648
Reserves Allocated Per Special Legislation	1	1
Statutory Reserves	48,553	39,586
Other Profit Reserves	(11,986)	110,322
Extraordinary Reserves	8,028,352	6,186,784
Reserves Allocated as per the Decision Held by General Assembly	6,547,762	5,753,686
Retained Earnings	1,480,590	433,098
Accumulated Loss		
Exchange Rate Differences on Foreign Currency Share Capital		
Inflation Adjustments of Legal, Statutory and Extraordinary Reserves		
Profit	1,023,718	2,179,515
Current Period Profit	1,633,028	2,271,539
Prior Periods' Profit	(609,310)	(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 (up to 15% of the Core Capital)		
Non-controlling Interest	2,534,939	2,451,829
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	120,515	121,550
Intangible Assets (-)	103,512	90,762
Deferred Tax Asset excess of 10% of the Core Capital (-)		
Limit Excesses as per Paragraph 3 of the Article 56 of the Banking Law (-)		
Consolidated Surplus (Net) (-)	35,974	29,590
Total Core Capital	20,833,489	19,841,319
SUPPLEMENTARY CAPITAL (TIER II)		
General Loan Loss Provision	1,517,630	1,315,935
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 Debts Excluding the Portion included in the Core Capital		
Secondary Subordinated Debts ⁽¹⁾	71,800	75,400
45% of Marketable Securities Value Increase Fund ⁽²⁾	720,746	304,177
Associates and Subsidiaries	614,599	637,384
Financial Assets Available for Sale	106,147	(333,207)
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments (excluding the inflation adjustments to legal reserves, status reserves and extraordinary reserves)		
Non-controlling Interest	46,223	3,667
Total Supplementary Capital	2,355,220	1,698,000

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TIER III CAPITAL		
CAPITAL	23,188,709	21,539,319
DEDUCTIONS FROM THE CAPITAL	207,592	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	82,537	74,405
Loan Granted to Customer Against the Articles 50 and 51 of the Banking Law	6,021	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⁾	69,537	78,285
Others ⁽⁴⁾	49,497	199,209
TOTAL SHAREHOLDERS' EQUITY	22,981,117	21,187,094

- (1) 80% of the secondary subordinated debts with remaining maturities less than 5 years is considered in supplementary capital calculation as per the "Regulation on Equities of Banks" published on the Official Gazette dated 1 November 2006 and numbered 26333.
- (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.

II. 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, 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, 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 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.

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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 30 June 2012.

	Amount
(I) Capital Obligation against for General Market Risk – Standard Method	315,482
(II) Capital Obligation against for Specific Risk – Standard Method	91,344
(III) Capital Obligation against for Currency Risk – Standard Method	281,623
(IV) Capital Obligation against for Stocks Risk – Standard Method	11,538
(V) Capital Obligation against for Exchange Risk – Standard Method	
(VI) Capital Obligation against for Market Risk of Options – Standard Method	4,944
(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)	704,931
(IX) Value at Market Risk (12.5 x VIII) or (12.5 x VII)	8,811,638

III. 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 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 Top 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	JPY
30. 06. 2012	1.8000	2.2590	0.0226
29. 06. 2012	1.8000	2.2590	0.0226
28. 06. 2012	1.8200	2.2615	0.0229
27. 06. 2012	1.8101	2.2547	0.0227
26. 06. 2012	1.8131	2.2624	0.0228
25. 06. 2012	1.8191	2.2717	0.0228

The Parent Bank’s last 30-days arithmetical average foreign currency purchase rates:

USD: TL 1.8066

EUR: TL 2.2623

JPY: TL 0.0228

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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	8,624,856	184,946	792	1,869,811	10,680,405
Banks	2,540,011	669,300	11,302	703,195	3,923,808
Financial Assets at Fair Value through Profit/Loss ⁽¹⁾	134,336	375,003			509,339
Money Market Placements					
Financial Assets Available for Sale	731,403	7,360,949		17,877	8,110,229
Loans ⁽²⁾	13,916,715	28,146,499	58,203	589,162	42,710,579
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	215				215
Held to Maturity Investments	1,863	1,537		4,799	8,199
Derivative Financial Assets Held for Risk Management					
Tangible Assets ⁽¹⁾	37,831	243		37,398	75,472
Intangible Assets ⁽¹⁾					
Other Assets ⁽¹⁾	715,956	1,288,027	6,742	79,092	2,089,817
Total Assets	26,703,186	38,026,504	77,039	3,301,334	68,108,063
Liabilities					
Bank Deposits	847,035	622,468	32	393,519	1,863,054
Foreign Currency Deposits ⁽³⁾	17,550,328	19,352,574	13,921	4,061,210	40,978,033
Money Market Funds	225,103	4,039,989		8	4,265,100
Funds Provided from Other Financial Inst.	7,501,956	10,185,352		860	17,688,168
Marketable Securities Issued		913,148			913,148
Miscellaneous Payables	189,492	319,393	989	15,885	525,759
Derivative Financial Liabilities Held for Risk Management					
Other Liabilities ⁽¹⁾⁽⁴⁾	1,069,444	1,341,104	3,623	105,643	2,519,814
Total Liabilities	27,383,358	36,774,028	18,565	4,577,125	68,753,076
Net On Balance Sheet Position	(680,172)	1,252,476	58,474	(1,275,791)	(645,013)
Net Off Balance Sheet Position	(705,861)	587,013	(432,119)	1,567,413	1,016,446
Derivative Financial Assets ⁽⁵⁾	6,276,757	11,365,608	1,014,345	3,745,055	22,401,765
Derivative Financial Liabilities ⁽⁵⁾	6,982,618	10,778,595	1,446,464	2,177,642	21,385,319
Non-Cash Loans	5,080,661	12,647,376	466,407	278,476	18,472,920
Prior Period					
Total Assets	25,235,119	42,558,036	90,593	2,982,343	70,866,091
Total Liabilities	24,883,771	38,424,151	23,180	4,350,436	67,681,538
Net 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	3,938,413	7,695,358	19,169	2,969,169	14,622,109
Derivative Financial Liabilities	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

⁽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 97,064), Operating Lease Development Costs (TL 2,591), Prepaid Expenses and Taxes (TL 31,610), Intangible Assets (TL 712) in assets and General Reserves (TL 8,007), Derivative Financial Instruments Foreign Currency Expense Accruals (TL 115,691) and Shareholders' Equity (TL 411,197) 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 4,289,714 of the aforementioned loans; TL 2,143,394 is USD indexed, TL 2,075,882 is EUR indexed, TL 14,299 is CHF indexed, TL 1,443 is GBP indexed, TL 54,674 is JPY indexed and TL 22 is CAD indexed. The balances include factoring receivables.

⁽³⁾ The item includes TL 2,640,393 precious metals deposit accounts.

⁽⁴⁾ The borrower funds are presented in the "Other Liabilities" 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.

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IV. 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 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						13,539,572	13,539,572
Banks	3,093,318	667,964	128,676			557,264	4,447,222
Financial Assets at Fair Value through Profit/Loss	306,798	268,538	456,742	587,385	35,089	249,318	1,903,870
Money Market Placements	170,522						170,522
Financial Assets Available for Sale	6,578,010	5,784,126	8,010,399	7,091,728	5,798,420	223,286	33,485,969
Loans ⁽¹⁾	32,402,605	12,042,772	24,115,613	31,092,651	7,006,392	19,462	106,679,495
Held to Maturity Investments	166,400	4,198,437	5,363,199	2,146,458			11,874,494
Other Assets	700,707	74,265	291,259	776,626	97,759	15,175,390	17,116,006
Total Assets	43,418,360	23,036,102	38,365,888	41,694,848	12,937,660	29,764,292	189,217,150
Liabilities							
Bank Deposits	1,448,580	849,194	378,147	11,333		203,894	2,891,148
Other Deposits	58,276,820	15,359,573	3,755,410	776,963	25,519	18,795,446	96,989,731
Money Market Funds	18,320,821	2,212,386	989,099				21,522,306
Miscellaneous Payables	281,064		171	2,858		8,380,864	8,664,957
Marketable Securities Issued	1,001,395	937,447	2,457,556	997,224			5,393,622
Funds Provided from Other Financial Institutions	8,657,147	6,021,444	3,041,236	197,386	977,212		18,894,425
Other Liabilities ^{(2) (3)}	264,518	239,789	1,555,339	40,104	9,990	32,751,221	34,860,961
Total Liabilities	88,250,345	25,619,833	12,176,958	2,025,868	1,012,721	60,131,425	189,217,150
Balance Sheet Long Position			26,188,930	39,668,980	11,924,939		77,782,849
Balance Sheet Short Position	(44,831,985)	(2,583,731)				(30,367,133)	(77,782,849)
Off Balance Sheet Long Position	2,249,798	5,171,804					7,421,602
Off Balance Sheet Short Position			(1,433,458)	(5,204,402)	(415,826)		(7,053,686)
Total Position	(42,582,187)	2,588,073	24,755,472	34,464,578	11,509,113	(30,367,133)	367,916

⁽¹⁾ The balance includes factoring receivables.

⁽²⁾ Equity is included in “non-interest bearing” column.

⁽³⁾ The borrower funds are presented in “Up to 1 month” column in other liabilities.

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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.

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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	2.54	2.69		11.31
Financial Assets at Fair Value through Profit/Loss	3.17	6.83		10.99
Money Market Placements				8.67
Financial Assets Available for Sale	4.59	4.80		9.33
Loans	5.39	4.95	5.20	14.29
Held to Maturity Investments	0.75	0.05		13.09
Liabilities				
Bank Deposits	2.31	2.42		8.69
Other Deposits	2.72	2.93	0.01	8.33
Money Market Funds	2.81	1.84		10.07
Miscellaneous Payables				
Marketable Securities Issued		5.30		10.51
Funds	1.00	1.00		6.50
Funds Provided from Other Financial Institutions	1.68	1.90		10.56

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

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V. 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 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 mean the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios of the Parent Bank for the first six months period of the year 2012 with their prior year comparatives are given below.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	152.19	144.97	97.54	108.38
Highest (%)	167.65	157.21	113.42	112.21
Lowest (%)	141.68	119.19	88.25	103.75

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	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

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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	4,830,338	8,677,821			31,413			13,539,572
Banks	683,684	2,966,898	667,964	128,676				4,447,222
Financial Assets at Fair Value through Profit/Loss	249,318	265,548	237,670	471,120	533,661	146,553		1,903,870
Money Market Placements		170,522						170,522
Financial Assets Available for Sale	223,286	120,336	1,440,338	4,810,652	11,977,159	14,914,198		33,485,969
Loans ⁽²⁾	11,664,470	13,931,421	7,654,940	24,036,124	39,484,256	9,908,284		106,679,495
Held to Maturity Investments		15,314	989,224	1,199,377	9,664,679	5,900		11,874,494
Other Assets	4,276,820	1,213,724	108,616	300,918	914,778	97,785	10,203,365	17,116,006
Total Assets	21,927,916	27,361,584	11,098,752	30,946,867	62,605,946	25,072,720	10,203,365	189,217,150
Liabilities								
Bank Deposits	218,980	1,433,494	849,194	378,147	11,333			2,891,148
Other Deposits	18,803,788	58,264,086	15,358,341	3,759,200	778,797	25,519		96,989,731
Funds Provided from Other Financial Institutions		1,168,165	3,228,928	4,808,705	5,410,541	4,278,086		18,894,425
Money Market Funds		18,093,605	2,044,937	519,325	239,641	624,798		21,522,306
Marketable Securities Issued		1,001,395	787,447	2,457,556	1,147,224			5,393,622
Miscellaneous Payables	4,822,206	3,705,665	36,453	29,530	71,103			8,664,957
Other Liabilities ⁽³⁾		983,575	563,508	1,560,180	40,104	9,990	31,703,604	34,860,961
Total Liabilities	23,844,974	84,649,985	22,868,808	13,512,643	7,698,743	4,938,393	31,703,604	189,217,150
Liquidity Gap	(1.917.058)	(57.288.401)	(11.770.056)	17.434.224	54.907.203	20.134.327	(21.500.239)	
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) The borrower funds are presented in "Up to 1 month" column in other liabilities.

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VI. 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.

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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							7,262,846
Interest Income from Loans	1,104,168	2,101,225	1,539,173	20,391		113,596	4,878,553
Interest Income from Banks					104,208		104,208
Interest Income from Money Market Transactions					6,394		6,394
Interest Income from Securities					2,174,913		2,174,913
Finance Lease Income	22,775	27,838					50,613
Other Interest Income		22,178	12			25,975	48,165
Interest Expense							4,134,244
Interest Expense on Deposits	572,472	528,521	1,001,441	652,626		22,841	2,777,901
Interest Expense on Funds Borrowed	77,839				102,024		179,863
Interest Expense on Money Market Transactions					941,639		941,639
Interest Expense on Securities Issued					194,574		194,574
Other Interest Expense					522	39,745	40,267
Net Interest Income							3,128,602
Net Fees and Commissions Income							592,303
Fees and Commissions Received	88,666	243,309	294,179	7,842	52,851	302,079	988,926
Fees and Commissions Paid	112,026	160,780	12		24,752	99,053	396,623
Dividend Income					204,528		204,528
Trading Income/Loss (Net)					487,624		487,624
Other Income	479,172	618,709	761,035	259	85,483	233,814	2,178,472
Prov. for Loans and Other Receivables	9,468	247,613	164,244		507	479,720	901,552
Other Operating Expense	453,549	811,584	1,413,433	38,461	97,752	630,843	3,445,622
Income Before Tax							2,244,355
Tax Provision							455,619
Net Period Profit							1,788,736
Group Profit/Loss							1,633,028
Non-controlling Interest Profit/Loss							155,708
SEGMENT ASSETS							
Financial Assets at FV Through P/L					1,903,870		1,903,870
Banks and Other Financial Institutions					4,447,222		4,447,222
Money Market Placements					170,522		170,522
Financial Assets Available for Sale					33,485,969		33,485,969
Loans and Receivables	40,506,643	38,393,354	24,414,835	381,424		2,315,958	106,012,214
Held to Maturity Investments					11,874,494		11,874,494
Associates and Subsidiaries					4,127,100		4,127,100
Lease Receivables	658,252	670,642			5,783		1,334,677
Other	332,739	667,011	270		1,050,085	23,810,977	25,861,082
							189,217,150
SEGMENT LIABILITIES							
Deposits	20,213,069	20,002,929	39,324,563	17,578,947		2,761,371	99,880,879
Derivative Financial Liabilities Held for Trading					653,534		653,534
Funds Borrowed	812,539				18,081,886		18,894,425
Money Market Funds					21,522,306		21,522,306
Securities Issued					5,393,622		5,393,622
Other Liabilities ⁽¹⁾	28,244				101,163	11,547,168	11,676,575
Provisions						9,356,470	9,356,470
Shareholders' Equity						21,839,339	21,839,339
							189,217,150

⁽¹⁾ The borrower funds are presented in "Other Liabilities".

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SECTION FIVE: DISCLOSURES AND FOOTNOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

I. DISCLOSURES AND FOOTNOTES ON CONSOLIDATED ASSETS

1. Cash and CBT:

a. Information on Cash and Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	856,717	370,369	797,049	352,306
Central Bank of Turkey	2,002,362	10,239,408	4,273,040	8,353,163
Other	88	70,628		111,019
Total	2,859,167	10,680,405	5,070,089	8,816,488

b. Information on Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	2,002,362	1,530,174	4,273,040	1,423,941
Unrestricted Time Deposit				
Restricted Time Deposit				
Other ⁽¹⁾		8,709,234		6,929,222
Total	2,002,362	10,239,408	4,273,040	8,353,163

⁽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 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% 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 at 30 June 2012 are amounting to TL 29,271 (31 December 2011: TL 15,311).

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 at 30 June 2012 are amounting to TL 524,034 (31 December 2011: TL 553,242).

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c. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	96,819	24,434	29,265	133,328
Swap Transactions	63,265	501,640	10,308	740,063
Futures	631	67	504	479
Options	4,971	15,786	262	44,595
Other		11,595	29	2,856
Total	165,686	553,522	40,368	921,321

3. Information on Banks:

a. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	439,968	1,950,229	509,585	2,239,658
Foreign Banks	83,446	1,973,579	92,876	1,905,787
Foreign Head Office and Branches				
Total	523,414	3,923,808	602,461	4,145,445

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 4,172,192 as at 30 June 2012 (31 December 2011: TL 3,513,217).

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 16,077,674 as at 30 June 2012 (31 December 2011: TL 17,642,045).

c. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	33,283,501	33,601,630
Quoted on a Stock Exchange	24,630,902	20,794,676
Not-Quoted ⁽¹⁾	8,652,599	12,806,954
Share Certificates	137,195	86,861
Quoted on a Stock Exchange	87,950	37,916
Not-Quoted ⁽¹⁾	49,245	48,945
Value Increases / Impairment Losses (-)	34,607	240,474
Other	99,880	109,049
Total	33,485,969	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.

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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	192,316	198	458,740	130
Total	192,316	198	458,740	130

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	103,177,616	1,048,779	1,316,532	469,287
Discount Notes	220,457			
Export Loans	6,698,203	4,050	89,466	160
Import Loans				
Loans Given to Financial Sector	2,559,254			
Foreign Loans	1,934,724	35,036	4,771	899
Consumer Loans	19,263,962	867,937	499,585	61,086
Credit Cards	7,662,066		176,795	124,379
Precious Metal Loans	31,498	2,081		
Other	64,807,452	139,675	545,915	282,763
Specialized Loans				
Other Receivables				
Total	103,177,616	1,048,779	1,316,532	469,287

In accordance with the communiqué “The Change In The Regulation of Identifying The Properties and Determining The Methods and Principles to Allocate Provisions for Loans and Other Receivables”, which was published in the Official Gazette dated 28 May 2011, numbered 27947, there are 36,349 loans (4,572 group I loans / 31,777 group II loans), whose maturities have been extended for up to one year and there are 33,032 loans (16,915 group I loans / 16,117 group II loans), whose maturities have been extended for more than a year.

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c. 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	490,900	19,360,585	162,749	20,014,234
Real Estate Loans	25,767	8,291,629	82,861	8,400,257
Vehicle Loans	35,268	1,204,715	7,236	1,247,219
General Purpose Consumer Loans	95,310	4,756,581	33,745	4,885,636
Other Consumer Loans	334,555	5,107,660	38,907	5,481,122
Consumer Loans – FC Indexed		65,334	42,238	107,572
Real Estate Loans		64,937	42,145	107,082
Vehicle Loans		397	93	490
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans – FC	21,862	202,658	1,341	225,861
Real Estate Loans		2,171		2,171
Vehicle Loans		158		158
General Purpose Consumer Loans	21,862	200,329	1,341	223,532
Other Consumer Loans				
Retail Credit Cards-TL	6,798,130	431,495	56,055	7,285,680
With Instalments	2,625,302	431,495		3,056,797
Without Instalments	4,172,828		56,055	4,228,883
Retail Credit Cards-FC				
With Instalments				
Without Instalments				
Personnel Loans-TL	5,895	60,246	854	66,995
Real Estate Loans		1,110	254	1,364
Vehicle Loans	43	1,666	14	1,723
General Purpose Consumer Loans	4,235	45,419	453	50,107
Other Consumer Loans	1,617	12,051	133	13,801
Personnel Loans- FC Indexed		657	390	1,047
Real Estate Loans		657	390	1,047
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans-FC	571	1,900	15	2,486
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans	571	1,900	15	2,486
Other Consumer Loans				
Personnel Credit Cards-TL	107,410		1,133	108,543
With Instalments	42,797			42,797
Without Instalments	64,613		1,133	65,746
Personnel Credit Cards-FC				
With Instalments				
Without Instalments				
Overdraft Accounts – TL (real persons)	264,569		9,804	274,373
Overdraft Accounts – FC (real persons)	2			2
Total	7,689,339	20,122,875	274,579	28,086,793

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d. 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	1,104,114	12,563,091	125,033	13,792,238
Real Estate Loans	5,351	512,218	3,780	521,349
Vehicle Loans	103,456	2,894,430	18,741	3,016,627
General Purpose Commercial Loans	988,877	8,842,898	95,973	9,927,748
Other Commercial Loans	6,430	313,545	6,539	326,514
Commercial Loans With Instalments-FC	50,448	1,246,384	96,877	1,393,709
Real Estate Loans		69,694	10,499	80,193
Vehicle Loans	2,934	567,110	32,201	602,245
General Purpose Commercial Loans	47,514	578,578	50,938	677,030
Other Commercial Loans		31,002	3,239	34,241
Commercial Loans With Instalments-FC	10,765	342,242	3,394	356,401
Real Estate Loans		1,689		1,689
Vehicle Loans	235	1,000		1,235
General Purpose Commercial Loans	9,766	28,360	1,525	39,651
Other Commercial Loans	764	311,193	1,869	313,826
Corporate Credit Cards-TL	566,288	2,557	172	569,017
With Instalments	81,890	2,557		84,447
Without Instalments	484,398		172	484,570
Corporate Credit Cards-FC				
With Instalments				
Without Instalments				
Overdraft Accounts – TL	706,410		42,328	748,738
Overdraft Accounts – FC (corporate)	465			465
Total	2,438,490	14,154,274	267,804	16,860,568

e. Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	103,590,561	96,539,802
Foreign Loans	2,421,653	2,488,320
Total	106,012,214	99,028,122

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f. Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	54,964	62,352
Indirect Loans Granted to Subsidiaries and Associates		
Total	54,964	62,352

g. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	174,185	213,790
Loans and Receivables with Doubtful Collectability	321,134	209,079
Uncollectible Loans and Receivables	1,553,307	1,686,550
Total	2,048,626	2,109,419

h. Information on non-performing loans (Net):

h.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)	1,182	12,325	32,640
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	1,182	12,325	32,640
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

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h.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 (+)	364,876	18,250	31,004
Corporate and Commercial Loans	191,503	9,152	19,378
Retail Loans	71,361	4,903	7,489
Credit Cards	102,012	3,267	4,137
Other		928	
Transfers from Other NPL categories (+)		301,264	173,793
Corporate and Commercial Loans		188,240	100,391
Retail Loans		47,812	34,019
Credit Cards		65,212	39,383
Other			
Transfers to Other NPL categories (-)	331,656	143,401	
Corporate and Commercial Loans	213,278	75,353	
Retail Loans	53,166	28,665	
Credit Cards	65,212	39,383	
Other			
Collections (-)	70,203	62,565	229,819
Corporate and Commercial Loans	36,496	31,046	135,484
Retail Loans	11,449	14,606	51,183
Credit Cards	22,258	16,478	43,152
Other		435	
Write-Offs (-) ⁽¹⁾	71	1,283	107,413
Corporate and Commercial Loans	8	685	31,788
Retail Loans	43	131	26,414
Credit Cards	20	368	49,211
Other		99	
Foreign Currency Effect	(2,551)	(210)	(808)
Corporate and Commercial Loans	(2,092)	(30)	(515)
Retail Loans	(459)	(180)	(293)
Credit Cards			
Other			
Current Period Ending Balance	174,185	321,134	1,553,307
Corporate and Commercial Loans	92,471	175,810	1,103,165
Retail Loans	35,062	44,132	200,506
Credit Cards	46,652	55,768	249,636
Other		45,424	
Specific Provisions (-)	174,185	321,134	1,553,307
Corporate and Commercial Loans	92,471	175,810	1,103,165
Retail Loans	35,062	44,132	200,506
Credit Cards	46,652	55,768	249,636
Other		45,424	
Net Balance on Balance Sheet	-	-	-

⁽¹⁾ TL 136,641 (TL 223 was previously written-off) of the non-performing loans was sold to Girişim Varlık Yönetimi A.Ş. for the total consideration of TL 28,656.

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h.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	2,831	8,880	101,939
Specific Provisions (-)	2,831	8,880	101,939
Net Balance on Balance Sheet			
Prior Period:			
Period Ending Balance	39,326	10,303	73,367
Specific Provisions (-)	39,326	10,303	73,367
Net Balance on Balance Sheet			

h.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)	171,831	273,653	1,519,179
Specific Provisions (-)	171,831	273,653	1,519,179
Loans to Individuals and Corporate (Net)			
Banks (Gross)			67
Specific Provisions (-)			67
Banks (Net)			
Other Loans and Receivables (Gross)	2,354	47,481	34,061
Specific Provisions (-)	2,354	47,481	34,061
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)			

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6. Held to Maturity Investments:

a. Information on held to maturity investments, which are given as collateral or blocked:

As at 30 June 2012, held to maturity investments, which are given as collateral or blocked amount to TL 1,895,462 (31 December 2011: TL 2,014,400).

b. Information on held to maturity investments, which are subject to repurchase agreements:

As at 30 June 2012, assets held to maturity, which are subject to repurchase agreements amount to TL 4,695,115 (31 December 2011: TL 4,616,246).

c. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	11,859,396	13,686,705
Treasury Bills		
Other Public Debt Securities		
Total	11,859,396	13,686,705

d. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	11,874,494	13,707,432
Quoted on a Stock Exchange	11,708,310	13,536,165
Not Quoted ⁽¹⁾	166,184	171,267
Impairment Losses (-)		
Total	11,874,494	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.

e. 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	(156)	2,415
Purchases During the Year	14,611	34,228
Transfers		
Disposals through Sales and Redemption	(1,576,648)	(742,972)
Impairment Losses (-)		
Valuation Effect	(270,745)	343,132
Balance at the End of the Period	11,874,494	13,707,432

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7. Information on Associates (Net):

a. 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
2,676,722	401,137	28,698	68,075	70	39,522	19,449	

⁽¹⁾ Includes interest income on 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

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- 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:

During the current period, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. sold the total of its 17% share in Ode Yatırım Sanayi ve Ticaret A.Ş. for TL 18,814 (USD 10.5 million) in return.

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 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	-
5-	Efes Varlık Yönetim A.Ş.	İstanbul/TURKEY	63.96	36.04
6-	İs 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	-
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⁾ 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	Shareholders' Equity	Total Tangible Assets	Interest Income ⁽¹⁾	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1-	2,271,578	632,546	58,080	23,719	19,903	(11,566)	(798)	(2)
2-	6,394,893	450,411	24,550	53,861	41,663	39,347	32,960	
3-	20,362	4,119	954	451	1	(296)	(90)	(2)
4-	314,246	44,918	44,463	10,067		(1,822)	(1,458)	
5-	46,415	2,610	1,037	951		(5,228)	(383)	
6-	1,476	1,476	308			47		
7-	683,612	54,295	655	22,526	1,238	(94)	4,006	
8-	2,277,332	543,283	2,159	78,037	2,222	20,533	35,531	
9-	1,193,607	1,0038,422	1,047,089	4,235	508	33,950	19,436	
10-	238,193	192,561	6,428	3,935	2,060	12,338	(2,616)	(2)
11-	63,330	61,783	1,103	2,726	985	4,518	5,427	
12-	3,443,601	744,559	16,699	40,089	44,705	45,695	6,659	(2)
13-	237,310	236,378	37	5,171	5,022	12,601	(81,026)	(2)
14-	2,208,782	246,500	38,758	57,081	2,137	10,072	6,052	
15-	54,256	2,043	397	3,484		(90)	(394)	
16-	1,702,071	554,681	46,295	40,476	21,641	77,499	(60,395)	
17-	345,793	227,379	312,177	807		9,283	(10,584)	
18-	42,948	42,832		1,530	2,405	4,182	10	
19-	10,302,247	1,712,861	254,796	306,673	10,773	175,128	119,271	
20-	602,108	65,998	1,376	4,273	4,938	581	2,110	(2)

⁽¹⁾ Includes interest income on securities.

⁽²⁾ Financial information as at 31 March 2012 is presented whereas prior period profit/loss is as at 31 March 2011 is presented.

b. 2. 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⁾	159,836	417,877
Bonus Shares Acquired		
Dividends Received from the Current Year Profit		
Sales		
Revaluation Surplus ⁽²⁾	402,686	(840,761)
Impairment		
Balance at the End of the Period	2,931,985	2,369,463
Capital Commitments		
Contribution in equity at the end of the period (%)		

⁽¹⁾ TL 159,836 recognized in the current period is comprised of the purchase of Closed Joint Stock Company İşbank amounting TL 7,316 (remaining amount of USD 4 million as specified in the Share Acquisition Agreement) and the 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.

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b. 3. Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	1,026,823	793,824
Insurance Companies	1,223,005	968,185
Factoring Companies		
Leasing Companies	94,064	107,413
Finance Companies		
Other Financial Subsidiaries	588,093	500,041
Total	2,931,985	2,369,463

b. 4. Consolidated subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	2,271,531	1,716,327
Traded on foreign stock exchanges		

b. 5. Consolidated subsidiaries disposed of in the current period: None.

b. 6. Subsidiaries acquired in the current period: None.

b. 7. Other issues on subsidiaries: None.

9. Information on jointly controlled entities (Net):

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	549,146	454,451	494,985	403,078
1-4 Years	801,225	695,370	882,020	765,864
More than 4 Years	191,690	179,073	222,360	205,170
Total	1,542,061	1,328,894	1,599,365	1,374,112

a. 2. Information regarding net investments made on finance lease:

	Current Period	Prior Period
Gross Finance Lease Investment	1,542,061	1,599,365
Unearned Finance Revenue from Finance Lease (-)	213,167	225,253
Net Finance Lease Investment	1,328,894	1,374,112

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b. Presentation of operating lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	5,783	5,783	2,278	2,278
1-4 Years				
More than 4 Years				
Total	5,783	5,783	2,278	2,278

11. Explanations on derivative financial assets held for risk management:

The Group has no derivative financial assets held for risk management.

12. 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	23,737	28,291
- Disposals (-)	(520)	(486)
- Impairment	2,957	(103,007)
- Transfers	(504)	(109,049)
- Impact of Consolidated Subsidiaries		
Balance at the End of the Period	1,295,904	1,270,234
Accumulated Amortization		
Balance at the Beginning of the Period	(232,940)	(212,328)
Movements in the Period		
- Depreciation Charge (-)	(12,955)	(31,693)
- Disposals		207
- Impairment		
- Transfers	76	10,874
Balance at the End of the Current Period	(245,819)	(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	1,050,085	1,037,294

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13. Information on deferred tax asset:

As at 30 June 2012, the Parent Bank and the other consolidated Group companies has deferred tax asset amounting to TL 657,821. 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	25,551	25,851
Provisions ⁽¹⁾	(494,632)	(470,292)
Finance Lease Income Accruals	3,281	4,072
Valuation of Financial Assets	(100,047)	(93,929)
Other ⁽²⁾	(91,974)	(101,486)
Net Deferred Tax (Asset)/Liability:	(657,821)	(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 407,362 unused investment incentive and TL 48,642 (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.

14. 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	56	66,563
Transfers (Net)	39,811	6,187
Disposals (-) (Net)	(34,506)	(63,976)
Impairment Losses (-)		
Depreciation	(1,359)	(2,751)
Net Book Value at the End of the Period	64,258	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.

15. 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

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	5,237,055		2,982,565	28,523,112	1,523,461	374,623	495,214		39,136,030
Foreign Currency Deposits	6,340,232		5,671,987	17,233,884	4,040,490	809,641	4,241,406		38,337,640
Residents in Turkey	5,520,913		5,295,288	16,533,250	3,467,043	343,004	1,597,573		32,757,071
Residents Abroad	819,319		376,699	700,634	573,447	466,637	2,643,833		5,580,569
Public Sector Deposits	173,540		1,047,102	464,199	624,657	105	496		2,310,099
Commercial Deposits	4,210,449		1,742,034	4,079,367	230,733	24,310	157,871		10,444,764
Other Institutions Deposits	228,323		76,912	2,649,014	1,160,831	1,243	4,482		4,120,805
Precious Metals Deposits	2,614,189		25,576	3		625			2,640,393
Interbank Deposits	218,980		458,770	1,399,826	408,480	40,633	364,459		2,891,148
The Central Bank of Turkey	44,539								44,539
Domestic Banks	4,697		78,849	487,043	267,183	6,180	18,542		862,494
Foreign Banks	166,461		379,921	912,783	141,297	34,453	345,917		1,980,832
Participation Banks	3,283								3,283
Other									
Total	19,022,768		12,004,946	54,349,405	7,988,652	1,251,180	5,263,928		99,880,879

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

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- b.1.** 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	16,202,352	16,344,278	22,647,552	24,004,306
Foreign Currency Savings Deposits	5,875,515	5,949,499	15,055,149	14,165,256
Other Deposits in the Form of Savings Deposits	1,441,381	1,293,378	1,101,003	1,085,426
Foreign Branches' Deposits Under Foreign Authorities' Insurance	2,167,320	2,207,773	57,658	49,636
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			30,758	17,827

- b.2.** Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Saving Deposits and Other Accounts	269,870	277,962
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	9,794	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		

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	11,650	61,646	103,796	124,384
Swap Transactions	282,569	274,888	363,765	233,635
Futures	354	3	873	339
Options	4,945	16,297	269	43,930
Other	1,182		2,333	42,762
Total	300,700	352,834	471,036	445,050

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3. Information on Funds Borrowed:

a. 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	489,020	895,722	501,011	766,941
Foreign banks, institutions and funds	717,237	16,701,956	41,140	17,470,183
Total	1,206,257	17,597,678	542,151	18,237,124

b. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,142,538	5,868,143	491,721	6,539,309
Medium and Long-term	63,719	11,729,535	50,430	11,697,815
Total	1,206,257	17,597,678	542,151	18,237,124

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
September 2011	USD 359,000,000 + EUR 603,000,000	1 year (with 1 year extension option)
May 2012	USD 241,000,000 + EUR 742,500,000	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.

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Information on funds received through securitization is given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as at 30 June 2012
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 60,800,000
May 2005	TIB Diversified Payment Rights Finance Company	USD 700,000,000	5-8 years	USD 50,000,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 114,460,511
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 264,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 355,000,000
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

4. Information on Marketable Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	3,337,645		1,888,329	
Bonds	1,142,829	913,148	934,096	943,451
Total	4,480,474	913,148	2,822,425	943,451

5. Information on 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	1,517,630	1,315,935
Provision for Group I Loans and Receivables	1,277,979	1,103,000
Provision for Group II Loans and Receivables ⁽¹⁾	56,433	39,143
Provision for Non-cash Loans	131,964	119,374
Other	51,254	54,418

⁽¹⁾ Includes general provision for Group II non-cash loans.

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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 2,917.27 (full TL amount as at 30 June 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 at 30 June 2012 TL 283,357 provision was set aside and reflected to the financial statements (31 December 2011: TL 260,666).

In addition to the employee termination benefits, the Bank and consolidated Group companies also allocate provisions for the unused vacation pay liability. As at 30 June 2012, provision for unused vacation pay is amounting to TL 32,241 (31 December 2011: TL 26,790).

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 at 30 June 2012, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 35,365 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:

As at 30 June 2012, TL 105,083 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.

e. Information on other provisions:

e.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 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.

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 Section Three Note XX, in the actuarial report which was prepared as at 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 numbered 506, the amount of actuarial and technical deficit stands at TL 1,338,159. As a result of the actuarial valuation of Milli Reasürans T.A.Ş., besides the Parent Bank, as at 31 December 2011, the amount of actuarial and technical deficit was determined to be TL 25,170. Provision amount equivalent to the related deficit was allocated for the Pension Fund in the financial statements related to the aforementioned period and the said provision amount is preserved in the financial statements for 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 at 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 of the Parent Bank as at 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)

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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. Information on current tax liability:

a.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 317,932 as at 30 June 2012.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	317,932	205,315
Tax on Securities Income	104,041	117,197
Tax on Real Estate Income	1,961	1,893
Banking Insurance Transaction Tax	70,931	66,255
Foreign Exchange Transaction Tax	28	28
Value Added Tax Payable	4,275	1,344
Other	41,796	32,419
Total	540,964	424,451

a.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	1,527	1,314
Social Security Premiums - Employer	1,737	1,515
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees	1,018	1,153
Pension Fund Membership Fees and Provisions-Employer	22	30
Unemployment Insurance - Employees	1,922	1,807
Unemployment Insurance – Employer	3,743	3,459
Other	262	262
Total	10,231	9,540

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b. Information on deferred tax liabilities:

The Parent Bank and the consolidated Group companies have TL 3,396 deferred tax liability as at 30 June 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.

Deferred Tax Liability:	Current Period	Prior Period
Tangible Assets Tax Base Differences	2,245	2,197
Provisions ⁽¹⁾	(247)	(251)
Valuation of Financial Assets	1,074	1,844
Other	324	300
Net Deferred Tax Liability	3,396	4,090

⁽¹⁾ Comprised of employee benefits provisions.

10. Explanations on subordinated debts:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks				
Other Domestic Institutions				
Foreign Banks				
Other Foreign Institutions		90,490		95,000
Total		90,490		95,000

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.

11. 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	10,000,000

The Bank's capital ceiling was raised to TL 10,000,000 from TL 7,000,000 in the current period.

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.

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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	1,365,776		1,416,409	
Valuation Difference	1,365,776		1,416,409	
Foreign Exchange Differences				
Financial Assets Available for Sale	(39,816)	324,363	(395,965)	139,462
Valuation Difference	(40,799)	324,363	(462,711)	139,462
Deferred Tax Effect on Valuation	983		66,746	
Foreign Exchange Differences				
Total	1,325,960	324,363	1,020,444	139,462

12. Explanations on Non-controlling Interest:

	Current Period	Prior Period
Paid-in Capital	1,854,545	1,654,237
Share Premium	5,409	5,409
Marketable Securities Revaluation Reserve	95,526	17,442
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	1,179	1,179
Legal Reserves	170,564	145,320
Statutory Reserves	40,389	31,584
Extraordinary Reserves	278,116	341,143
Other Profit Reserves	480	70
Prior Years' Profit / Loss	(2,123)	109,425
Current Year Profit/ Loss ⁽¹⁾	187,559	164,641
Period Ending Balance	2,631,644	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).

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13. Information on Dividend Distribution:

At the Parent Bank's Ordinary General Meeting, held on 30 March 2012, it was decided to distribute 2011 net income of TL 2,667,487 as follows;

- It was decided to transfer to "Capital Reserves" TL 86,134 profit, which was gained on the sale of associates, subsidiaries and real estates, and which was not subject to dividend distribution, in order to use in capital increase,
- It was decided to allocate TL 2,581,353 of the profit, which was subject to distribution as follows;
 - TL 542,621 to the Group A, B and C shares in cash,
 - TL 2 to founder shares in cash,
 - TL 91,013 to the members of the Board, the CEO and the staff as cash dividend and
 - TL 1,947,717 to be kept as legal and extraordinary reserves.

On 30 March 2012, TL 1,947,717 was transferred to reserves account and the cash dividend distribution was initiated on 2 April 2012.

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III. EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Explanations to Liabilities Related to Off-balance Sheet Items:

a. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 14,465,266 and commitment to pay for cheque leaves amounts to TL 6,267,886. The amount of commitment for the forward purchase of assets is TL 873,600 and for the forward sale of assets is TL 874,796.

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	571,861	500,455
Letters of Credit	6,113,667	5,761,529
Other Guarantees	1,385,068	1,021,974
Total	8,070,596	7,283,958

b.2. Certain guarantees, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Letters of Tentative Guarantees	941,227	1,201,212
Letters of Certain Guarantees	15,505,581	13,702,059
Letters of Advance Guarantees	3,996,166	3,005,909
Letters of Guarantee Given to Customs Offices	969,805	905,572
Other Letters of Guarantee	659,821	1,109,521
Total	22,072,600	19,924,273

c. 1. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	598,276	348,352
With Original Maturity of 1 Year or Less	93,934	37,774
With Original Maturity More Than 1 Year	504,342	310,578
Other Non-cash Loans	29,544,920	26,859,879
Total	30,143,196	27,208,231

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c. 2. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	11,592,726	18,308,311	77,550	164,609
Letters of Guarantee	11,538,619	10,311,574	77,550	144,857
Bank Acceptances	12,647	557,727		1,487
Letters of Credit		6,100,381		13,286
Endorsements		829,667		
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	41,460	508,962		4,979

2. Explanations Related to Contingencies and Commitments:

As at 30 June 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 Bank and the commitments due to housing loans extended within the scope of unfinished house projects followed, amounts to TL 7,616,157. As at 30 June 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 6,267,886. 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 (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 1,000 (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”.

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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	1,695,139	175,962	1,041,516	100,186
Medium and Long-term Loans	2,099,776	816,856	1,573,785	495,763
Interest on Non-performing Loans	88,643	2,177	145,695	2,215
Premiums Received from State Resource Utilization Support Fund				
Total	3,883,558	994,995	2,760,996	598,164

⁽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				
Domestic Banks	52,601	44,837	81,616	11,700
Foreign Banks	1,829	4,941	5,965	5,291
Foreign Head Offices and Branches				
Total	54,430	49,778	87,581	16,991

1.c. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Financial Assets Held for Trading	53,371	1,622	19,874	2,120
Interest Income on Financial Assets at Fair Value through Profit and Loss				
Interest Income on Financial Assets Available for Sale ⁽¹⁾	1,075,638	183,787	974,485	202,409
Held to Maturity Investments ⁽¹⁾	860,394	101	842,176	616
Total	1,989,403	185,510	1,836,535	205,145

⁽¹⁾ Total of TL 779,842 of interest income from related investments stems from inflation-indexed government bonds (30 June 2011: TL 641,749).

1.d. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Income from Associates and Subsidiaries	1,983	2,145

2.a. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	33,051	78,410	28,208	86,324
Central Bank of Turkey			393	
Domestic Banks	22,229	10,962	24,167	6,843
Foreign Banks	10,822	67,448	3,648	79,481
Foreign Head Offices and Branches				
Other Institutions		68,402		48,773
Total ⁽¹⁾	33,051	146,812	28,208	135,097

⁽¹⁾ Includes fee and commission expenses from cash loans.

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2.b. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	14,030	8,835

2.c. Information on interest paid on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued	172,836	21,738	47,219	17,301

2.d. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits						Accumulated Deposits	Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year			
TL									
Bank Deposits	90	2,466	41,825	2,514	119	480		47,494	
Savings Deposits	1	118,370	1,341,503	96,012	22,259	21,357		1,599,502	
Public Sector Deposits		1,363	4,528	47	1	22		5,961	
Commercial Deposits	5	79,768	207,297	14,888	1,049	6,797		309,804	
Other Institutions Deposits	2	46,468	136,054	63,033	9,581	60		255,198	
Deposits with 7 Days Notice									
Total	98	248,435	1,731,207	176,494	33,009	28,716		2,217,959	
FC									
Foreign Currency Deposits	436	64,330	344,144	54,396	14,775	59,481		537,562	
Bank Deposits	23	2,031	14,021	2,009	1,237	3,050		22,371	
Deposits with 7 Days Notice									
Precious Metals Deposits				9				9	
Total	459	66,361	358,165	56,414	16,012	62,531		559,942	
Grand Total	557	314,796	2,089,372	232,908	49,021	91,247		2,777,901	

3. Information on trading income/losses (Net):

	Current Period	Prior Period
Profit	29,846,476	38,942,625
Securities Trading Gains	547,270	84,613
Gains on Derivative Financial Instruments	2,294,360	2,389,282
Foreign Exchange Gains	27,004,846	36,468,730
Losses (-)	29,358,852	38,798,442
Securities Trading Losses	258,692	50,754
Losses on Derivative Financial Instruments	2,404,914	2,012,123
Foreign Exchange Losses	26,695,246	36,735,565
Trading Income/Losses (Net)	487,624	144,183

As at 30 June 2012, income arising from foreign currency changes related to derivative transactions amounting TL 1,690,478, and the losses amounting TL 1,717,299 and the amount of net profit is TL 26,821 (30 June 2011 profit: TL 1,358,138, loss: TL 1,107,041).

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4. Information on other operating income:

As at reporting period, TL 1,498,209 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 1,198,684; 92% of which is from insurance premiums.

5. Information on provision for impairment on loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	381,372	272,162
Group III Loans and Receivables	311,561	240,042
Group IV Loans and Receivables	16,643	9,443
Group V Loans and Receivables	53,168	22,677
General Loan Provision Expenses	207,228	228,192
Provision Expenses for Potential Risks	50,000	
Impairment Losses on Marketable Securities	4,407	3,585
Financial Assets at Fair Value through Profit and Loss	3,900	1,149
Financial Assets Available for Sale	507	2,436
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity		21,269
Associates		162
Subsidiaries		21,107
Jointly Controlled Entities		
Investments Held to Maturity		
Other ⁽¹⁾	258,545	144,099
Total	901,552	669,307

⁽¹⁾ Includes provision for personnel dividend distributed from period profit and accounted as period expense as required by TAS 19 "Employee Benefits" and provision for possible salary increase since collective bargaining agreement process has not been started as at the reporting date.

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6. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1,132,058	1,094,394
Reserve for Employee Termination Benefits	22,703	18,853
Bank Pension Fund Deficit Provisions		
Impairment Losses on Tangible Assets		2,987
Depreciation Expenses of Tangible Assets	109,258	100,786
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	33,538	25,786
Impairment Losses on Investments Accounted Under Equity Method		
Impairment Losses on Assets to be Disposed	571	571
Depreciation Expenses of Assets to be Disposed	3,484	4,191
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	754,147	598,486
Operational Lease Related Expenses	81,167	69,654
Repair and Maintenance Expenses	15,610	13,936
Advertisement Expenses	79,184	65,573
Other Expenses	578,186	449,323
Loss on Sale of Assets	1,952	580
Other	1,387,911	1,304,402
Total	3,445,622	3,151,036

On the table above, TL 1,154,735 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 1,076,077 of other operating expense included insurance and reinsurance companies' expenses which were related with their operations and the paid claims comprised almost the total of this amount.

7. 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 3,128,602, net fee and commission income of TL 592,303 and the other operation expenses amount to TL 3,445,622.

8. Information on net period profit/loss:

a. 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 1 January 2012 - 30 June 2012.

b. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed

c. Other items do not exceed 10% of the total amount of the income statement.

d. Net Profit / Loss of Non-controlling Interest:

	Current Period	Prior Period
Net Profit / Loss of Non-controlling Interest	155,708	73,435

9. Other items do not exceed 10% of the total amount of the income statement.

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V. 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	62,291	2,309,017	2	19	639,896	149,171
Balance at the end of the period	54,931	2,235,839	1	10	517,954	420,355
Interest and commission income received	1,909	59			21,923	766

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	2,145	246			10,080	722

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	399,014	250,067	549,679	840,520	1,184,469	1,197,039
Balance at the end of the period	396,083	399,014	483,974	549,679	1,192,135	1,184,469
Interest expense on deposits	10,045	4,569	26,353	32,304	25,308	23,500

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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					188,145	
End of the period					213,353	188,145
Total Profit/ Loss		8			1,296	
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/ Loss						

2. Disclosures for the Group's risk group:

a. 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. 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 0.54%, while the ratio to the overall assets is 0.30%; the ratio of deposits of the risk group corporations to the overall deposits is 2.07%, while the ratio to overall liabilities is 1.10%. 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 35 mutual funds, which were founded by the Parent Bank, 27 of them are managed by İş Portföy Yönetimi A.Ş. and 8 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.

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 amounting TL 9,646 (30 June 2011: TL 9,953).

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VI. SUBSEQUENT EVENTS

1. Within the framework of the resolution made by the Parent Bank's Board of Directors on 23 December 2011 regarding the issuance of borrowing instrument, the Parent Bank has issued bank bills with a nominal value of TL 1,000,000 at July and a maturity of 168 days. The redemption date for the related bills is 9 January 2013 and the interest rate is 8.72% (annual simple interest).
2. 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, by 1,200 million Rubles in cash and to exercise İşbank's preferential rights amounting to Rubles 1,200 million due to the related capital increase and on the same date it was publicly disclosed and the related payment transaction is actualized on 27 July 2012.
3. Subsequent to parallel implementation of BASEL II calculations of BRSA is complemented as at 30 June 2012, "consistent" application of BASEL II is initiated as at 1 July 2012. Regulations about BASEL II applications are published in the Official Gazette numbered 28337 dated 28 June 2012.
4. TSKB Yatırım Ortaklığı A.Ş.; consolidated subsidiary of the Bank, is taken over by incorporation method by İş Yatırım Ortaklığı A.Ş., which is another consolidated subsidiary of the Bank. Association agreement registered as at 17 July 2012 and registration is published in the Official Gazette dated 20 July 2012.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

SECTION SIX: OTHER EXPLANATIONS

I. Information 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	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). Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Viability Rating	bbb-	-	There is a moderate probability of support.
Support Rating	3	-	
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: 2 July 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.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

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	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	-
National Rating	AA+	Stable
Support Rating	3	-

The dates below given are on which the TSKB's credit ratings were last updated:

Moody's: 3 July 2012, Fitch Ratings: 5 July 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: 2 July 2012

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

SECTION SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

I. INFORMATION ON THE INDEPENDENT AUDITORS' REVIEW REPORT:

The Bank's consolidated interim financial statements and footnotes to be disclosed to public as at 30 June 2012 are reviewed 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 interim financial statements described in the third paragraph of the review report dated 8 August 2012, nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Bank's financial position and results of its operations as at 30 June 2012.

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 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.*



**Akis Bağımsız Denetim ve Serbest
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**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 1 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 A.Ş. (Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**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.	
CAMIŞ MENKUL DEĞERLER A.Ş.	
CLOSED JOINT STOCK COMPANY İŞBANK (CJSC İŞBANK)	
EFES VARLIK YÖNETİM A.Ş.	
İS INVESTMENT GULF LTD.	
İŞ FACTORİNG 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 GMBH	
MAXIS SECURITIES LTD.	
MİLLİ REASÜRANS T.A.Ş.	
TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
TSKB YATIRIM ORTAKLIĞI A.Ş.	
TÜRKİYE SİNAİ 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 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
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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
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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)

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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)

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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
Fusun 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 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 GMBH
- MAXIS SECURITIES LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- TSKB YATIRIM ORTAKLIĞI A.Ş.
- TÜRKİYE SİNAİ 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.

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)

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).

Camış 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 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 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.

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)

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 İstanbul.

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)		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
XVIII.	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)		Footnotes	THOUSAND TL						
			CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)			
			TL	FC	Total	TL	FC	Total	
LIABILITIES AND SHAREHOLDERS' EQUITY									
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	Footnotes	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)	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	Footnotes	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)	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)	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)	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

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. 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	Footnotes	CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY													Total Shareholders' Equity					
		PRIOR PERIOD (31/12/2010)	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
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																				
V. Marketable Securities Value Increase Fund																				
6.1. Cash Flow Hedges																				
VI. Hedge Reserves (Effective Portion)																				
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																				
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			-2,686	-63	-1,377	12	2,939,156	-3,658	-16,738					-23,510	13,745	-9,765	
14.1. Cash																				
14.2. Internal Sources		1,420,361	-361,553			-2,686	-63	-1,377	12	2,939,156	-3,658	-16,738								
XV. Share Issue																				
XVI. Share Cancellation Profits																				
XVII. Paid-in-Capital Inflation Adjustment																				
XVIII. Other (*)				400																
XIX. Net Profit / Loss for the Period						201,802	7,960	1,641,472		2,939,156	-2,523,607						2,939,156	292,538	3,231,694	
XX. Profit Distribution																				
20.1. Dividend Paid						201,802	7,960	1,641,472			-1,851,234									
20.2. Transfer to Reserves																				
20.3. Other																				
Ending Balance (III+IV+V+...+XVIII+XIX+XX)		4,500,000	1,615,938	33,927		1,600,119	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	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																			
III. Marketable Securities Value Increase Fund												-81,573					0	100	100
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																			
IX. The Effect of Disposal of Assets												143,157							
X. The Effect of Reclassification of Assets on the Equity of the Bank																			
XI. 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						228,597	11,293	2,050,185		2,271,539	-3,120,727						2,271,539	117,839	2,389,368
XVIII. Profit Distribution																			
18.1 Dividend Paid																			
18.2 Transfer to Reserves						228,597	11,293	2,050,185											
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	6,363,564	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)	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)	PRIOR PERIOD (31/12/2010)
LDISTRIBUTION 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 2011 was 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:

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 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 1.5 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.

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.

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.

	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 Paragraph 3 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 Movable's Revaluation Reserve		
45% of Immovable's 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.

Type of Collateral	Current Period		Prior Period	
	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 figures 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.

Type of Collateral	Current Period		Prior Period	
	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.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	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

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	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.

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)*

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

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.

1. 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.

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)

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):

	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Current Period					
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.

	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Prior Period					
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

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)***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					Accumulated Deposits	Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year		
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).

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 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					

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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.S.

	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.

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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 GROUP FOR THE
FISCAL YEAR ENDED DECEMBER 31, 2010 (INCLUDING 2009 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 2010

31 December 2010

*(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 2011

*This report contains "Independent Auditors' Report"
comprising 1 page and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 97 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 consolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") its financial affiliates (together "the Group") as of 31 December 2010 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 consolidated financial statements of the Group for the year ended 31 December 2009 have been audited by other auditors whose report, dated 15 February 2010, expressed a qualified opinion due to the general reserves provided by the Bank.

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.

The general reserves described above at first paragraph are still outstanding at 31 December 2010. 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 2010 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 2011

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 A.Ş. (Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

THE CONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2010

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 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 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.	
İŞBANK GMBH	
İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.	
İŞ FACTORING HİZMETLERİ A.Ş.	
İŞ FİNANSAL KİRALAMA A.Ş.	
İŞ PORTFÖY YÖNETİMİ A.Ş.	
İŞ YATIRIM MENKUL DEĞERLER A.Ş.	
İŞ YATIRIM ORTAKLIĞI A.Ş.	
MAXİS SECURITIES LTD.	
MİLLİ REASÜRANS T.A.Ş.	
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.	
TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
TSKB YATIRIM ORTAKLIĞI 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
Head of Financial
Management Division

Mahmut Magemizoğlu
Deputy Chief Executive
In Charge of Financial
Reporting

H. Ersin Özince
Chief Executive Officer

Prof. Dr. Savaş Taşkent
Member of the Board and
the Audit Committee

Caner Çimenbiçer
Chairman of
the Board of Directors
and the Audit Committee

Information on the authorized personnel to whom questions related to this financial report may be directed.

Name – Surname / Title: H. Süleyman Özcan / Head of Investor Relations Division
Phone Nr. : +90 212 316 16 02
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E-mail : Suleyman.Ozcan@isbank.com.tr
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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)

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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)

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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 2010, 39.29% 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 32.62% 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:

<u>Name</u>	<u>Areas of Responsibility</u>
Caner Çimenbiçer	Chairman of the Board, the Audit Committee and TRNC Internal Systems Committee; the Board of Inspectors
H. Fevzi Onat	Deputy Chairman, Board Member in Charge of Internal Systems, Chairman of the Risk Committee, Member of the Credit Committee
H. Ersin Özince	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee and TRNC Internal Systems Committee
İsmet Atalay	Director, Member of the Social Responsibility Committee
Tülin Aykın	Director, Alternate Member of the Credit Committee, Member of the Social Responsibility Committee
Tuncay Ercenk	Director
Adnan Keskin	Director
Ali Sözen	Director
Fusun Tümsavaş	Director, Member of the Credit Committee
Hasan Koçhan	Director, Alternate Member of the Credit Committee
Prof. Dr. Turky Berksoy	Auditor
A. Taciser Bayer	Auditor

Chief Executive Officer and Deputy Chief Executives*:

<u>Name</u>	<u>Administrative Position</u>
H. Ersin Özince	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
A. Aykut Demiray	Treasury, Economic Research, International Banking, Foreign Branches and Foreign Representative Offices, Member of the Risk Committee
Özcan Türkakın	Corporate Communications, Equity Participations, Capital Markets, Private Banking Marketing and Sales Management, Member of the Risk Committee**
Zafer Memişoğlu	Support Services and Purchasing, Human Resources, Human Resources Partnership and Human Resources Service Center, Construction and Real Estate, and Talent Management
Hülya Altay	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Hakan Barut	Credit Information and Financial Analysis, Commercial and Corporate Loans Monitoring and Recovery Management
Adnan Bali	Corporate Banking Marketing, Sales and Product Management, Commercial Banking Marketing, Sales and Product Management, Free Zone Branches
Suat İnce	Corporate Loans, SME Loans and Commercial Loans Underwriting, Retail Loans Monitoring and Recovery Management, Credit Risk Management and Portfolio Monitoring, Member of the Risk Committee
Serdar Gençer	Enterprise Architecture, Project and Change Management, Strategy and Corporate Performance Management, Branch Network Development
Hakan Aran	Alternative Distribution Channels Operations, Alternative Distribution Channels Strategy, Banking Operations and Payment Operations, IT Solution Development, IT Architecture & Security, IT System Operations, IT Product & Service Delivery, Retail Loan and Card Operations, Foreign Trade and Commercial Loan Operations, Internal Operations

* Deputy Chief Executives, Mr. Kadir Akgöz and Mr. F. Kayhan Söyler have retired as of 31 January 2010.

** 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.

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)

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)	1,768,190	39.29%	1,768,190	
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.
- CAMIŞ MENKUL DEĞERLER A.Ş.
- İŞBANK GMBH
- İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.
- İŞ FACTORİNG FİNANSMAN HİZMETLERİ A.Ş.
- İŞ FİNANSAL KİRALAMA A.Ş.
- İŞ PORTFÖY YÖNETİMİ A.Ş.
- İŞ YATIRIM MENKUL DEĞERLER A.Ş.
- İŞ YATIRIM ORTAKLIĞI A.Ş.
- MAXİS SECURITIES LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
- TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- TSKB YATIRIM ORTAKLIĞI 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 and portfolio management are given below.

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)*

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 17 private pension funds founded by the company. The company's shares are traded in the Istanbul Stock Exchange (ISE).

Camış Menkul Değerler A.Ş.

Founded in 1984, the Company operates in the capital market as a brokerage house.

İşbank GmbH

İşbank GmbH was founded to conduct the Parent Bank's banking business in Europe. İşbank GmbH has 15 branches in total, 12 branches in Germany, 1 branch in the Netherlands, 1 branch in France and 1 branch in Switzerland.

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 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 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.

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)*

Maxis Securities Ltd.

The purpose of the Company, which was founded in England in the year 2005, is to operate in profit-oriented 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.

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. Its shares are traded in the İstanbul Stock Exchange.

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.

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.

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 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 (31/12/2010)			PRIOR PERIOD (31/12/2009)		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	3,996,122	4,599,784	8,595,906	5,794,532	2,995,196	8,789,728
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	V-I-2	1,498,561	338,549	1,837,110	1,196,162	121,982	1,318,144
2.1	Financial Assets Held for Trading		1,498,561	338,549	1,837,110	1,196,162	121,982	1,318,144
2.1.1	Government Debt Securities		1,005,232	46,909	1,052,141	949,774	26,486	976,260
2.1.2	Equity Securities		245,927	1	245,928	89,668	15	89,683
2.1.3	Derivative Financial Assets Held for Trading		22,695	251,920	274,615	52,837	93,771	146,608
2.1.4	Other Marketable Securities		224,707	39,719	264,426	103,883	1,710	105,593
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	2,630,341	3,745,457	6,375,798	1,811,893	8,639,852	10,451,745
IV.	MONEY MARKET PLACEMENTS		10,194	0	10,194	0	0	0
4.1	Interbank Money Market Placements		0	0	0	0	0	0
4.2	Istanbul Stock Exchange Money Market Placements		1,247	0	1,247	0	0	0
4.3	Receivables from Reverse Repurchase Agreements		8,947	0	8,947	0	0	0
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	V-I-4	25,462,410	10,718,797	36,181,207	19,193,341	11,366,092	30,559,433
5.1	Equity Securities		69,250	2,957	72,207	40,801	2,957	43,758
5.2	Government Debt Securities		25,318,770	6,965,024	32,283,794	19,131,543	8,882,923	28,014,466
5.3	Other Marketable Securities		74,390	3,750,816	3,825,206	20,997	2,480,212	2,501,209
VI.	LOANS AND RECEIVABLES	V-I-5	45,265,560	23,812,244	69,077,804	36,093,418	16,667,022	52,760,440
6.1	Loans and receivables		45,265,560	23,812,244	69,077,804	36,093,418	16,667,022	52,760,440
6.1.1	Loans to the Bank's Risk Group		101,156	359,125	460,281	313,424	393,191	706,615
6.1.2	Government Debt Securities		0	0	0	0	0	0
6.1.3	Other		45,164,404	23,453,119	68,617,523	35,779,994	16,273,831	52,053,825
6.2	Non-Performing Loans		2,367,012	96,585	2,463,597	2,730,826	86,997	2,817,823
6.3	Specific Provisions (-)		2,367,012	96,585	2,463,597	2,730,826	86,997	2,817,823
VII.	FACTORING RECEIVABLES		312,189	19,131	331,320	0	0	0
VIII.	INVESTMENTS HELD TO MATURITY (Net)	V-I-6	14,058,600	12,029	14,070,629	12,014,860	1,332,447	13,347,307
8.1	Government Debt Securities		14,052,833	0	14,052,833	12,009,230	0	12,009,230
8.2	Other Marketable Securities		5,767	12,029	17,796	5,630	1,332,447	1,338,077
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	794,592	0	794,592	735,900	0	735,900
9.1	Associates Accounted for Using the Equity Method		64,563	0	64,563	59,757	0	59,757
9.2	Unconsolidated Associates		730,029	0	730,029	676,143	0	676,143
9.2.1	Financial Investments		3,150	0	3,150	3,150	0	3,150
9.2.2	Non-Financial Investments		726,879	0	726,879	672,993	0	672,993
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	2,746,829	0	2,746,829	2,252,414	7,730	2,260,144
10.1	Unconsolidated Financial Subsidiaries		0	0	0	295,324	7,730	303,054
10.2	Unconsolidated Non-Financial Subsidiaries		2,746,829	0	2,746,829	1,957,090	0	1,957,090
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	175,518	787,747	963,265	173,062	757,954	931,016
12.1	Finance Lease Receivables		212,900	913,700	1,126,600	213,273	881,757	1,095,030
12.2	Operating Lease Receivables		968	0	968	945	0	945
12.3	Other		0	0	0	0	0	0
12.4	Unearned Income (-)		38,350	125,953	164,303	41,156	123,803	164,959
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	1,963,574	36,059	1,999,633	2,003,437	36,836	2,040,273
XV.	INTANGIBLE ASSETS (Net)	V-I-13	55,330	784	56,114	44,598	649	45,247
15.1	Goodwill		7,170	0	7,170	7,170	0	7,170
15.2	Other		48,160	784	48,944	37,428	649	38,077
XVI.	INVESTMENT PROPERTY (Net)	V-I-14	1,242,157	0	1,242,157	810,782	0	810,782
XVII.	TAX ASSETS	V-I-15	836,031	26	836,057	637,809	143	637,952
17.1	Current Tax Asset		15,295	26	15,321	21,677	143	21,820
17.2	Deferred Tax Asset		820,736	0	820,736	616,132	0	616,132
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-16	54,233	0	54,233	28,801	0	28,801
18.1	Held for Sale		54,233	0	54,233	28,801	0	28,801
18.2	Discontinued Operations		0	0	0	0	0	0
XIX.	OTHER ASSETS	V-I-17	4,706,338	931,550	5,637,888	3,539,902	659,662	4,199,564
	TOTAL ASSETS		105,808,579	45,002,157	150,810,736	86,330,911	42,585,565	128,916,476

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)

II. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (Statement of Financial Position)		Footnotes	THOUSAND TL					
			CURRENT PERIOD (31/12/2010)			PRIOR PERIOD (31/12/2009)		
			TL	FC	Total	TL	FC	Total
LIABILITIES AND SHAREHOLDERS' EQUITY								
I.	DEPOSITS	V-II-1	58,510,364	29,966,255	88,476,619	43,684,501	28,370,471	72,054,972
1.1	Deposits from the Bank's Risk Group		1,014,078	1,273,548	2,287,626	387,310	1,098,107	1,485,417
1.2	Other		57,496,286	28,692,707	86,188,993	43,297,191	27,272,364	70,569,555
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-2	396,394	334,916	731,310	332,573	166,262	498,835
III.	FUNDS BORROWED	V-II-3	908,138	13,374,727	14,282,865	2,649,229	12,149,715	14,798,944
IV.	MONEY MARKET FUNDS		9,077,523	3,892,063	12,969,586	8,826,423	4,646,214	13,472,637
4.1	Interbank Money Market Funds		0	0	0	0	0	0
4.2	Istanbul Stock Exchange Money Market Funds		1,539,620	0	1,539,620	1,128,031	0	1,128,031
4.3	Funds Provided Under Repurchase Agreements		7,537,903	3,892,063	11,429,966	7,698,392	4,646,214	12,344,606
V.	MARKETABLE SECURITIES ISSUED (Net)		195,954	0	195,954	0	0	0
5.1	Bills		195,954	0	195,954	0	0	0
5.2	Asset-backed Securities		0	0	0	0	0	0
5.3	Bonds		0	0	0	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		5,491,198	455,054	5,946,252	4,291,750	285,486	4,577,236
VIII.	OTHER LIABILITIES	V-II-4	547,057	634,810	1,181,867	487,561	191,469	679,030
IX.	FACTORING PAYABLES		0	0	0	0	0	0
X.	LEASE PAYABLES (Net)	V-II-5	0	0	0	0	0	0
10.1	Finance Lease Payables		2	0	2	0	0	0
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 (-)		2	0	2	0	0	0
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-6	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-7	7,196,113	364,393	7,560,506	6,842,895	269,414	7,112,309
12.1	General Loan Loss Provision		744,573	749	745,322	538,014	688	538,702
12.2	Provision for Restructuring		0	0	0	0	0	0
12.3	Reserves for Employee Benefits		243,996	665	244,661	183,026	780	183,806
12.4	Insurance Technical Reserves (Net)		3,445,067	346,996	3,792,063	3,233,574	252,102	3,485,676
12.5	Other Provisions		2,762,477	15,983	2,778,460	2,888,281	15,844	2,904,125
XIII.	TAX LIABILITY	V-II-8	397,477	3,698	401,175	340,411	834	341,245
13.1	Current Tax Liability		393,954	2,409	396,363	340,411	834	341,245
13.2	Deferred Tax Liability		3,523	1,289	4,812	0	0	0
XIV.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	V-II-9	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-10	0	77,947	77,947	0	75,343	75,343
XVI.	SHAREHOLDERS' EQUITY	V-II-11	18,841,314	145,341	18,986,655	15,196,954	108,971	15,305,925
16.1	Paid-in Capital		4,500,000	0	4,500,000	3,079,639	0	3,079,639
16.2	Capital Reserves		2,820,554	69,621	2,890,175	2,537,426	48,506	2,585,932
16.2.1	Share premium		33,937	0	33,937	31,008	0	31,008
16.2.2	Share Cancellation Profits		0	0	0	0	0	0
16.2.3	Marketable Securities Value Increase Fund		1,171,858	69,621	1,241,479	527,544	48,506	576,050
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	1,383	0	1,383
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	1,977,491	0	1,977,491
16.3	Profit Reserves		5,866,230	51,890	5,918,120	5,058,557	50,906	5,109,463
16.3.1	Legal Reserves		1,610,119	0	1,610,119	1,404,488	0	1,404,488
16.3.2	Statutory Reserves		28,293	0	28,293	20,362	0	20,362
16.3.3	Extraordinary Reserves		4,282,669	29,874	4,312,543	3,681,786	23,523	3,705,309
16.3.4	Other Profit Reserves		-54,851	22,016	-32,835	-48,079	27,383	-20,696
16.4	Profit or Loss		3,018,323	10,274	3,028,597	2,558,234	9,559	2,567,793
16.4.1	Prior Years' Profit/Loss		89,568	-127	89,441	70,194	-30	70,164
16.4.2	Current Year Profit/Loss		2,928,755	10,401	2,939,156	2,488,040	9,589	2,497,629
16.5	Minority Shares	V-II-12	2,636,207	13,556	2,649,763	1,963,098	0	1,963,098
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		101,561,532	49,249,204	150,810,736	82,652,297	46,264,179	128,916,476

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)

III. CONSOLIDATED OFF-BALANCE SHEET ITEMS

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS (FOOTNOTE: V-III)	THOUSAND TL					
	CURRENT PERIOD			PRIOR PERIOD		
	(31/12/2010)			(31/12/2009)		
	TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	44,807,698	48,147,483	92,955,181	34,170,618	25,925,895	60,096,513
I. GUARANTEES AND SURETYSHIPS	6,893,492	9,536,523	16,430,015	5,404,634	7,861,834	13,266,468
1.1.Letters of Guarantee	6,856,759	5,608,145	12,464,904	5,274,031	4,678,615	9,952,646
1.1.1.Guarantees Subject to State Tender Law	379,412	1,277,896	1,657,308	386,021	670,598	1,056,619
1.1.2.Guarantees Given for Foreign Trade Operations	609,497	602,145	1,211,642	307,059	755,296	1,062,355
1.1.3.Other Letters of Guarantee	5,867,850	3,728,104	9,595,954	4,580,951	3,252,721	7,833,672
1.2.Bank Acceptances	3,922	207,616	211,538	2,997	148,198	151,195
1.2.1.Import Letters of Acceptance	0	97,562	97,562	0	110,744	110,744
1.2.2.Other Bank Acceptances	3,922	110,054	113,976	2,997	37,454	40,451
1.3.Letters of Credit	0	3,380,888	3,380,888	0	2,775,336	2,775,336
1.3.1.Documentary Letters of Credit	0	2,493,328	2,493,328	0	1,872,776	1,872,776
1.3.2.Other Letters of Credit	0	887,560	887,560	0	902,560	902,560
1.4.Prefinancing Given as Guarantee	0	0	0	0	0	0
1.5.Endorsements	0	30,582	30,582	0	41,538	41,538
1.5.1.Endorsements to the Central Bank of Turkey	0	30,582	30,582	0	41,538	41,538
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	32,811	309,292	342,103	127,606	218,147	345,753
1.9.Other Suretyships	0	0	0	0	0	0
II. COMMITMENTS	25,155,680	5,941,459	31,097,139	21,013,499	3,354,496	24,367,995
2.1.Irrevocable Commitments	24,706,653	5,369,931	30,076,584	20,824,237	2,994,698	23,818,935
2.1.1.Forward Asset Purchase Commitments	730,738	1,652,412	2,383,150	166,408	262,364	428,772
2.1.2.Forward Deposit Purchase and Sale Commitments	0	0	0	0	0	0
2.1.3.Capital Commitment for Associates and Subsidiaries	2,000	0	2,000	2,000	0	2,000
2.1.4.Loan Granting Commitments	4,086,957	998,996	5,085,953	3,530,717	850,729	4,381,446
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	4,323,938	0	4,323,938	3,978,131	0	3,978,131
2.1.8.Tax and Fund Liabilities from Export Commitments	7,297	0	7,297	22,852	0	22,852
2.1.9.Commitments for Credit Card Expenditure Limits	12,877,554	551,392	13,428,946	11,278,482	513,700	11,792,182
2.1.10. Commitments for Credit Cards and Banking Services Promotions	45,971	0	45,971	34,041	0	34,041
2.1.11. Receivables from Short Sale Commitments	0	0	0	0	0	0
2.1.12. Payables for Short Sale Commitments	4,191	0	4,191	2,468	0	2,468
2.1.13.Other Irrevocable Commitments	2,628,007	2,167,131	4,795,138	1,809,138	1,367,905	3,177,043
2.2.Revocable Commitments	449,027	571,528	1,020,555	189,262	359,798	549,060
2.2.1.Revocable Loan Granting Commitments	449,027	571,528	1,020,555	189,262	359,798	549,060
2.2.2.Other Revocable Commitments	0	0	0	0	0	0
III. DERIVATIVE FINANCIAL INSTRUMENTS	12,758,526	32,669,501	45,428,027	7,752,485	14,709,565	22,462,050
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	12,758,526	32,669,501	45,428,027	7,752,485	14,709,565	22,462,050
3.2.1.Forward Foreign Currency Buy/Sell Transactions	1,486,231	4,773,150	6,259,381	743,662	1,994,474	2,738,136
3.2.1.1. Forward Foreign Currency Buy Transactions	1,116,021	2,016,774	3,132,795	360,424	1,009,237	1,369,661
3.2.1.2. Forward Foreign Currency Sell Transactions	370,210	2,756,376	3,126,586	383,238	985,237	1,368,475
3.2.2. Currency and Interest Rate Swaps	8,579,762	22,166,973	30,746,735	5,449,889	8,606,552	14,056,441
3.2.2.1. Currency Swap Buy Transactions	390,173	7,476,235	7,866,408	81,501	2,151,912	2,233,413
3.2.2.2. Currency Swap Sell Transactions	4,569,589	3,223,342	7,792,931	1,848,388	362,871	2,211,259
3.2.2.3. Interest Rate Swap Buy Transactions	1,810,000	5,733,698	7,543,698	1,760,000	3,045,848	4,805,848
3.2.2.4. Interest Rate Swap Sell Transactions	1,810,000	5,733,698	7,543,698	1,760,000	3,045,921	4,805,921
3.2.3. Currency, Interest Rate and Security Options	2,574,328	4,023,870	6,598,198	1,470,122	2,405,957	3,876,079
3.2.3.1. Currency Call Options	1,824,011	1,039,882	2,863,893	1,131,822	374,172	1,505,994
3.2.3.2. Currency Put Options	746,452	2,103,579	2,850,031	338,295	1,120,750	1,459,045
3.2.3.3. Interest Rate Call Options	0	438,272	438,272	0	455,515	455,515
3.2.3.4. Interest Rate Put Options	0	438,272	438,272	0	455,515	455,515
3.2.3.5.Securities Call Options	3,865	0	3,865	5	0	5
3.2.3.6. Securities Put Options	0	3,865	3,865	0	5	5
3.2.4. Currency Futures	42,818	43,215	86,033	19,487	19,416	38,903
3.2.4.1.Currency Buy Futures	38,785	4,024	42,809	13,776	5,812	19,588
3.2.4.2. Currency Sell Futures	4,033	39,191	43,224	5,711	13,604	19,315
3.2.5. Interest Rate Futures	1,391	1,573,170	1,574,561	0	1,643,661	1,643,661
3.2.5.1.Interest Rate Buy Futures	493	0	493	0	0	0
3.2.5.2.Interest Rate Sell Futures	898	1,573,170	1,574,068	0	1,643,661	1,643,661
3.2.6.Other	73,996	89,123	163,119	69,325	39,505	108,830

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)

III. CONSOLIDATED OFF-BALANCE SHEET ITEMS (continued)

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS (FOOTNOTE: V-III)	THOUSAND TL					
	CURRENT PERIOD (31/12/2010)			PRIOR PERIOD (31/12/2009)		
	TL	FC	Total	TL	FC	Total
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	136,302,658	64,809,780	201,112,438	113,446,718	40,634,253	154,080,971
IV. ITEMS HELD IN CUSTODY	63,025,758	6,706,654	69,732,412	58,439,212	5,204,617	63,643,829
4.1. Customers' securities held	7,271,630	884,092	8,155,722	3,935,034	651,634	4,586,668
4.2. Investment securities held in custody	45,615,465	549,782	46,165,247	45,201,151	425,310	45,626,461
4.3. Checks received for collection	5,190,771	1,040,282	6,231,053	4,685,426	626,262	5,311,688
4.4. Commercial notes received for collection	2,582,207	2,438,951	5,021,158	1,932,760	1,932,235	3,864,995
4.5. Other assets received for collection	4,924	14,353	19,277	2,783	9,948	12,731
4.6. Assets received for public offering	68,166	0	68,166	68,166	0	68,166
4.7. Other items under custody	1,251,232	1,779,194	3,030,426	1,277,080	1,559,228	2,836,308
4.8. Custodians	1,041,363	0	1,041,363	1,336,812	0	1,336,812
V. PLEDGED ITEMS	72,539,701	41,362,567	113,902,268	54,734,710	24,862,346	79,597,056
5.1. Marketable securities	1,109,762	749,703	1,859,465	398,272	513,643	911,915
5.2. Guarantee notes	2,983,712	5,700,891	8,684,603	2,372,035	5,349,712	7,721,747
5.3. Commodity	15,097,219	32,799	15,130,018	10,391,911	31,588	10,423,499
5.4. Warranty	0	0	0	0	0	0
5.5. Real Estates	50,942,482	16,467,868	67,410,350	40,368,598	13,300,130	53,668,728
5.6. Other pledged items	2,406,526	18,355,668	20,762,194	1,203,894	5,618,097	6,821,991
5.7. Pledged items-depository	0	55,638	55,638	0	49,176	49,176
VI. ACCEPTED BILL GUARANTEES AND SURETIES	737,199	16,740,559	17,477,758	272,796	10,567,290	10,840,086
TOTAL OFF-BALANCE SHEET ITEMS (A+B)	181,110,356	112,957,263	294,067,619	147,617,336	66,560,148	214,177,484

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)

IV. CONSOLIDATED INCOME STATEMENT

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED INCOME STATEMENT	Footnotes	THOUSAND TL	
		CURRENT PERIOD (01/01-31/12/2010)	PRIOR PERIOD (01/01-31/12/2009)
I. INTEREST INCOME	V- IV- 1	10,850,750	11,370,516
1.1 Interest Income on Loans		6,180,827	7,042,088
1.2 Interest Income on Reserve Deposits		0	180,758
1.3 Interest Income on Banks		347,848	240,221
1.4 Interest Income on Money Market Placements		7,954	101,806
1.5 Interest Income on Marketable Securities Portfolio		4,178,647	3,644,342
1.5.1 Financial Assets Held for Trading		76,977	131,466
1.5.2 Financial Assets at Fair Value Through Profit and Loss		0	0
1.5.3 Financial Assets Available for Sale		2,411,536	2,476,046
1.5.4 Investments Held to Maturity		1,690,134	1,036,830
1.6 Finance Lease Income		84,080	103,441
1.7 Other Interest Income		51,394	57,860
II. INTEREST EXPENSE	V- IV- 2	5,440,180	5,630,372
2.1 Interest on Deposits		4,174,618	4,491,236
2.2 Interest on Funds Borrowed		625,306	767,418
2.3 Interest on Money Market Funds		623,945	362,312
2.4 Interest on Securities Issued		5,722	0
2.5 Other Interest Expense		10,589	9,406
III. NET INTEREST INCOME / EXPENSE (I - II)		5,410,570	5,740,144
IV. NET FEES AND COMMISSIONS INCOME / EXPENSE		997,891	976,898
4.1 Fees and Commissions Received		1,509,200	1,469,370
4.1.1 Non-cash Loans		123,430	114,905
4.1.2 Other		1,385,770	1,354,465
4.2 Fees and Commissions Paid		511,309	492,472
4.2.1 Non-cash Loans		5,232	3,654
4.2.2 Other		506,077	488,818
V. DIVIDEND INCOME	V- IV- 3	45,785	166,338
VI. TRADING INCOME / LOSS (NET)	V- IV- 4	292,912	557,041
6.1 Gains/Losses on Securities Trading		656,230	520,537
6.2 Derivative Financial Transactions Gains/Losses		-51,340	393,497
6.3 Foreign Exchange Gains/Losses		-311,978	-356,993
VII. OTHER OPERATING INCOME	V- IV- 5	4,026,561	3,497,387
VIII. TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)		10,773,719	10,937,808
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V- IV- 6	1,185,911	2,363,565
X. OTHER OPERATING EXPENSES (-)	V- IV- 7	5,671,987	5,213,259
XI. NET OPERATING INCOME (VIII-IX-X)		3,915,821	3,360,984
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		0	0
XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		4,806	6,525
XIV. NET MONETARY POSITION GAIN/LOSS		0	0
XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)	V- IV- 8	3,920,627	3,367,509
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)	V- IV- 9	688,933	615,205
16.1 Current Tax Provision		897,266	923,537
16.2 Deferred Tax Provision		-208,333	-308,332
XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	V- IV- 10	3,231,694	2,752,304
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	3,231,694	2,752,304
23.1 Group's Profit/Loss		2,939,156	2,497,629
23.2 Minority Shares		292,538	254,675
Earnings Per Share (in full TL)		0.026125309	0.022200703

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 (01/01-31/12/2010)	PRIOR PERIOD (01/01-31/12/2009)
I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	82,429	340,873
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	0	0
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	0	0
IV. TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	-12,225	-44,324
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' EQUITY IN ACCORDANCE WITH TAS	667,654	616,097
IX. DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	-9,253	-62,243
X. NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	728,605	850,403
XI. PROFIT/LOSS FOR THE PERIOD	3,231,694	2,752,304
1.1 Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	50,511	1,120
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	3,181,183	2,751,184
XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	3,960,299	3,602,707

(*) The amounts include minority shares.

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. 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 Footnote: 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 Oper.	Total Shareholders' Equity Except Minority Shares	Minority Shares	Total Shareholders' Equity
I. Beginning Balance	2,756,585	1,977,491	31,008		1,257,046	14,980	2,910,623	23,628		1,574,174	-109,062					10,436,473	1,554,778	11,991,251
III. 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)	2,756,585	1,977,491	31,008		1,257,046	14,980	2,910,623	23,628		1,574,174	-109,062					10,436,473	1,554,778	11,991,251
Changes During the Period																		
IV. Increase/Decrease Due to Mergers																		
V. Marketable Securities Value Increase Fund											685,112					685,112	209,615	894,727
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)													1,383			0		0
X. Translation Differences																		
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		323,054																
14.1. Cash																		
14.2. Internal Sources		323,054																
XV. Share Issue																		
XVI. Share Cancellation Profits																		
XVII. Paid-in-Capital Inflation Adjustment																		
XVIII. Other																		
XIX. Net Profit / Loss for the Period									2,497,629							2,497,629	254,675	2,752,304
XX. Profit Distribution																		
20.1. Dividend Paid						5,382	796,069											
20.2. Transfer to Reserves						147,442	796,069											
20.3. Other																		
Ending Balance (III+IV+V+...+XVIII+XIX+XX)	3,079,639	1,977,491	31,008	0	1,404,488	20,362	3,705,309	-20,696	2,497,629	70,164	576,050	0	1,383	0	0	13,342,827	1,963,098	15,305,925

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. 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 Footnote V-Y	CURRENT PERIOD (31/12/2010)																			
	Beginning Balance	3,079,639	1,977,491	31,008	0	1,404,488	20,362	3,705,309	-20,496	Net Current Period Profit / (Loss)	2,567,793	576,050	Tangible and Intangible 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. Changes During the Period																				
II. Increases / Decreases Due to Mergers (*)				2,529		6,515	34	24,564		48,313							81,953	406,807	488,762	
III. Marketable Securities Value Increase Fund												682,167					682,167	58,663	740,830	
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																				
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		1,420,361	-361,553					-1,057,425												
12.1. Cash																				
12.2. Internal Sources		1,420,361	-361,553					-1,057,425												
XIII. Share Premium																				
XIV. Share Cancellation Profits																				
XV. Paid-in-Capital Inflation Adjustment																				
XVI. Other (**)				400		-2,686	-63	-1,377	12	-3,058	-16,738									
XVII. Net Profit / Loss for the Period										2,939,156										
XVIII. Profit Distribution																				
18.1. Dividend Paid										-2,523,607										
18.2. Transfer to Reserves										-672,373										
18.3. Other										-1,851,234										
Ending Balance (I+II+III+...+XVI+XVII+XVIII)		4,500,000	1,615,938	33,937	0	1,610,119	28,293	4,312,543	-32,835	2,939,156	1,241,479	0			0	16,336,892	2,649,763	18,986,655		

(*) The effect of the financial subsidiaries that consolidated in the current period as per the communiqué changing the "Communiqué Related to Regulation on the Preparation of Consolidated Financial Statements of Banks"; which was published in the Official Gazette dated 23 January 2011, nr. 27824.

(**) Change in group shares

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)

VII. CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT CASH FLOWS	THOUSAND TL		
	Footnotes	CURRENT PERIOD (01/01-31/12/2010)	PRIOR PERIOD (01/01-31/12/2009)
A. CASH FLOWS FROM BANKING OPERATIONS	V-VI		
1.1. Operating Profit Before Changes in Operating Assets and Liabilities		3,466,525	5,815,396
1.1.1. Interest Received		9,953,186	12,112,040
1.1.2. Interest Paid		-5,557,260	-5,899,304
1.1.3. Dividend Received		17,124	35,182
1.1.4. Fees and Commissions Received		1,509,200	1,416,141
1.1.5. Other Income		3,810,031	3,592,313
1.1.6. Collections from Previously Written Off Loans and Other Receivables		992,651	571,879
1.1.7. Cash Payments to Personnel and Service Suppliers		-2,957,898	-1,630,241
1.1.8. Taxes Paid		-833,607	-896,398
1.1.9. Other		-3,466,902	-3,486,216
1.2. Changes in Operating Assets and Liabilities		-106,112	9,920,036
1.2.1. Net (Increase) Decrease in Financial Assets Held for Trading		-393,166	-315,777
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		748,836	69,750
1.2.4. Net (Increase) Decrease in Loans		-16,433,438	-4,873,913
1.2.5. Net (Increase) Decrease in Other Assets		-1,663,917	-851,441
1.2.6. Net Increase (Decrease) in Bank Deposits		761,011	580,831
1.2.7. Net Increase (Decrease) in Other Deposits		15,634,602	9,747,570
1.2.8. Net Increase (Decrease) in Funds Borrowed		-378,672	-388,336
1.2.9. Net Increase (Decrease) in Matured Payables		0	0
1.2.10. Net Increase (Decrease) in Other Liabilities		1,618,632	5,951,352
I. Net Cash Provided From Banking Operations		3,360,413	15,735,432
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / Used in Investing Activities		-6,136,092	-15,842,610
2.1. Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-119,720	-34,709
2.2. Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		166,738	33
2.3. Tangible Asset Purchases		-502,786	-224,763
2.4. Tangible Asset Sales		395,088	147,935
2.5. Cash Paid for Purchase of Financial Assets Available for Sale		-34,663,267	-24,561,546
2.6. Cash Obtained from Sales of Financial Assets Available for Sale		29,114,141	18,160,016
2.7. Cash Paid for Purchase of Investment Securities Held to Maturity		-2,768,157	-10,717,635
2.8. Cash Obtained from Sales of Investment Securities Held to Maturity		2,300,020	1,388,059
2.9. Other		-58,149	0
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / Used in Financing Activities		-567,324	-328,449
3.1. Cash Obtained from Funds Borrowed and Securities Issued		191,242	0
3.2. Cash Used for Repayment of Funds Borrowed and Securities Issued		0	0
3.3. Equity Instruments		0	0
3.4. Dividends Paid		-758,566	-328,449
3.5. Payments for Finance Leases		0	0
3.6. Other		0	0
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		-167,736	-19,468
V. Net Increase / (Decrease) in Cash and Cash Equivalents		-3,510,739	-455,095
VI. Cash and Cash Equivalents at Beginning of the Period		15,002,552	15,457,647
VII. Cash and Cash Equivalents at End of the Period		11,491,813	15,002,552

VIII. STATEMENT OF PROFIT DISTRIBUTION TABLE

TÜRKİYE İŞ BANKASI A.Ş. STATEMENT OF PROFIT DISTRIBUTION TABLE	THOUSAND TL	
	CURRENT PERIOD (31/12/2010)	PRIOR PERIOD (31/12/2009)
I. DISTRIBUTION OF CURRENT YEAR PROFIT ⁽¹⁾		
1.1. CURRENT PERIOD PROFIT	3,552,852	2,945,616
1.2. TAXES AND DUES PAYABLE (-)	570,642	573,209
1.2.1. Corporate Tax (Income Tax)	779,915	780,959
1.2.2. Income Tax Withholding	2,950	2,508
1.2.3. Other Taxes and Dues Payable ⁽²⁾	-212,223	-210,258
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	2,982,210	2,372,407
1.3. PRIOR YEARS' LOSSES (-)	0	0
1.4. FIRST LEGAL RESERVES (-)	0	118,232
1.5. OTHER STATUTORY RESERVES (-)	0	1,470,026
B. NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5)]	2,982,210	784,149
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	0	184,780
1.6.1. To Owners of Ordinary Shares	0	184,778
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	119,874
1.8. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	1,498
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	0	366,221
1.9.1. To Owners of Ordinary Shares	0	366,212
1.9.2. To Owners of Preferred Shares	0	4
1.9.3. To Preferred Shares (Preemptive Rights)	0	5
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	51,839
1.11. STATUTORY RESERVES (-)	0	0
1.12. EXTRAORDINARY RESERVES	0	59,937
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⁾	0.0265	0.0308
3.2. TO OWNERS OF ORDINARY SHARES (%)	66	77
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	0.0072
4.2. TO OWNERS OF ORDINARY SHARES (%)	0	18
4.3. TO OWNERS OF PREFERRED SHARES ⁽³⁾	0	0.0021
4.4. TO OWNERS OF PREFERRED SHARES (%)	0	21

(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, 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, and some of the funds are transferred to the Treasury guaranteed projects. On the other hand, 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 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. Other 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 the Turkish Accounting Standard Nr:21 “Effects of Changes In Foreign Exchange Rates” (TAS 21), 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 the Turkish Accounting Standard Nr:29 “Financial Reporting In Hyperinflationary Economics” (TAS 29), 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 Parent Bank’s branches that have been established abroad are prepared in functional currency prevailing in the economic environment that they operate in; 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. The Bank’s end of period foreign currency closing rates are taken into account for conversion to TL of the assets and liabilities of the branches that have been established abroad and as for the conversion of income and expenses, the foreign currency exchange rates on the transaction date are taken into account. 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.

The regulation on the “Communiqué Related to the Preparation of Consolidated Financial Statements of Banks”, published in the Official Gazette dated 8 November 2006 and nr.26340, has been amended by the “Communiqué on Changing the Communiqué Related to the Preparation of Consolidated Financial Statements of Banks”, which was published in the Official Gazette dated 23 January 2011 and nr.27824. Within the framework of this amending regulation, the subsidiaries, Camiř Menkul Deęerler A.ř., İř Factoring Finansman Hizmetleri A.ř., İř Giriřim Sermayesi Yatırım Ortaklıęı A.ř., İř Portföy Yönetimi A.ř., İř Yatırım Ortaklıęı A.ř., Maxis Securities Ltd., TSKB Gayrimenkul Yatırım Ortaklıęı A.ř., TSKB Yatırım Ortaklıęı A.ř. and Yatırım Finansman Menkul Deęerler A.ř., which are qualified as credit institutions or financial institutions, whose assets do not exceed one percent of the Parent Bank’s total assets or whose share totals do not exceed five percent of the Parent Bank’s total assets and which were not included in consolidation as of 31 December 2009, have been included in consolidation as of 31 December 2010. As of the current period, there are no subsidiaries, qualified as credit institutions or financial institutions, excluded from consolidation. 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

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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
Total	7,170

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 securitisation 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.

ç. 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:

Turkish Lira denominated subsidiaries, associates and equity securities followed under securities available for sale which are out of the consolidation scope, 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.

Foreign currency denominated subsidiaries, associates and equity securities among available-for-sale portfolio are measured at historical cost and translated into Turkish Lira using the exchange rates prevailing at the transaction date and recognized in financial statements at the inflation adjusted values calculated by using the inflation indices between the transaction date and 31 December 2004, the last date for the inflation adjustment, less any impairment losses.

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 trading and currency options. The Group has no derivative products that are separated from the host contract.

Derivative financial instruments 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 remeasured 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 on accrual or collection basis, depending on the nature of the transaction. Credit related fee and commission expenses which are paid to credit institutions, on the other hand, are considered as part of the cost of transaction, and recorded by using the effective interest rate method.

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. 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 Value Increase Fund” 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. 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 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 profit/loss account.

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 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 reversed.

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 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” and “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.

Cost of other intangible asset items purchased before 1 January 2005, are presented in the financial statements with their inflation adjusted acquisition cost as of 31 December 2004 and the intangible asset items purchased in the subsequent periods are presented with their acquisition cost less the accumulated amortization, and impairment provisions. Such assets are amortized by the straight-line method in a period between 1-3 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 losses.

The acquisition costs of tangible assets other than the land and the 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 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.

Assets acquired through finance lease are amortized at the estimated useful life or the leasing period, whichever is shorter.

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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 five years, the amortization period is considered to be five years.

The profits and losses arising from the disposal of tangible assets or the inactivation of a tangible asset are specified as the difference between the sales proceeds and the book value of the tangible asset and then 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 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 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. 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", the value of the assets subject to leasing at the beginning of leasing transaction is recognized in the balance sheet as finance lease receivable. The interest income generated by the difference between the total finance lease receivables and the investment value of the asset subject to leasing are recorded to the related period's income statement throughout its leasing period by allocating each period's receivables with a fixed interest rate to periods and the interest income, which has not accrued in the related period are recognized in the unearned interest income account.

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 revised.

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 recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

Claim provision 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 fulfil the liability and that the amount of the related liability can be measured reliably. The provision amount is calculated by the 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 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.

In case there is no probability of cash outflow in order to fulfil the liability and that the amount of liability cannot be measured in a sufficiently reliable way, the liability is considered as “Contingent Liability” and disclosure is made 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 German legislation does not require retirement pay provision, no provision liability has been recognized for İşbank GmbH. 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 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.

On the other hand, on 19 June 2008, the Republican People's Party applied 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. As at the date of publication of financial statements, there are no decisions announced by the Constitutional Court on the related issue.

In line with the new law, the Parent Bank had an actuarial valuation made for the aforementioned pension fund as of 31 December 2010 and set aside additional provisions for the difference between the amount of actuarial and technical deficit in the actuarial report dated 15 January 2011 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-7. Besides the Parent Bank, Milli Reasürans T.A.Ş., one of the Group companies, also had an actuarial audit as of 31 December 2010 for the pension fund and set aside TL 1,356 additional provision for the difference between the amount of actuarial and technical deficit in the actuarial report and the amount of provision set aside in the financial statements until the current period. In the current consolidated financial statements there are provisions equal to the amount of actuarial and technical deficit in the actuarial report.

Up to now, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik 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 tax for the end of the year 2010 will be paid in February 2011 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.

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 also offset. 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 instalments, 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 higher than the corporate tax payable, the difference is deducted from income tax payable.

England

Corporate gains are subject to 28% 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 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.

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.

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 the consolidated Group companies resort to obtaining funds from domestic or foreign institutions, as may be required. Such transactions are carried first at the acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

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While the policies carried out are aiming at acquiring assets that would generate higher yields than the costs of borrowing instruments such as syndication, securitization, and collateralized borrowing, an effort is also made to ensure that the assets acquired are, as much as possible, of equal maturity or shorter, in order to avoid interest rate and liquidity risks. Furthermore, the Parent Bank aims to achieve an asset composition that is compatible, as much as possible, with the fixed/variable cost structure of borrowing instruments.

On 19 August 2010, 180 and 360 days term bank notes with a nominal value of TL 200,000 were issued by TSKB, which is consolidated and they are valued by effective interest rate 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.

As of 31 December 2009 the paid-in capital of the Parent Bank which was TL 3,079,639, was raised by TL 1,420,361 to TL 4,500,000. TL 1,383 of the increase was covered by bonus shares received from participations, TL 1,057,425 of the increase was covered by the extraordinary reserves and TL 361,553 of the increase was covered by paid-in capital inflation adjustments. The relevant increase was registered by İstanbul Trade Registry Office on 23 February 2010 and as a result of this increase, 35,509,033,225 group C shares were issued.

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	2,939,156	2,497,629
Weighted average number of share certificates ('000)	112,502,250	112,502,250
Earnings per share – in exact TL	0.026125309	0.022200703

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

For the segmental reporting, focus is made on the field of activity method by taking into consideration the basic sources and qualities of the Parent Bank's risks and returns. Field of activity is a part of a company which presents a single product or a single service, or a correlated group of product or service, and which has distinguished characteristics that separate it from other fields of activities in terms of risk and return.

Information on the Group's activity segmentation is given in Part Four Note XI.

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 17.55% and 17.55% respectively. Bank-Only and consolidated capital adequacy standard ratios are calculated according to the "Regulation on Measurement and Assessment of Capital Adequacy of the Banks" published in the Official Gazette No.26333 dated 1 November 2006, 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)	25,996,390		3,726,586	13,391,813	56,452,887	375,978	64,859
Cash	1,253,618		32				
Securities in Redemption							
Balances with the Central Bank of Turkey	4,393,879						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches			2,936,353		248,689		
Interbank Money Market Placements							
Receivables from Reverse Repo Transactions							
Reserve Deposits	2,869,789						
Loans	2,577,129		782,792	13,217,642	46,502,639	375,978	64,859
Non-performing Loans (Net)							
Lease Receivables							
Financial Assets Available for Sale							
Investments Held to Maturity	12,439,313				17,398		
Receivables From Instalment Sale of Assets							
Miscellaneous Receivables	6				875,090		
Interest and Income Accruals	1,181,446		7,163	174,171	550,015		
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)					6,264,039		
Tangible Assets					1,731,215		
Other Assets	1,281,210		246		263,802		
Off Balance Sheet Items	96,860		1,148,252	665,392	15,465,989		
Non-cash Loans and Commitments	96,860		398,374	665,392	15,315,017		
Derivative Financial Instruments			749,878		150,972		
Non- Risk-Weighted Accounts							
Total Risk Weighted Assets	26,093,250		4,874,838	14,057,205	71,918,876	375,978	64,859

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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)	28,964,469		7,813,347	14,541,442	63,143,569	375,978	64,859
Cash	1,262,732		32				
Securities in Redemption							
Balances with the Central Bank of Turkey	4,401,016						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches	29,815		6,081,190		248,689		
Interbank Money Market Placements							
Receivables from Reverse Repo Transactions	8,946						
Reserve Deposits	2,926,819						
Loans	2,664,835		1,540,062	14,140,747	49,769,553	375,978	64,859
Non-performing Loans (Net)							
Lease Receivables	61,523		20,712	172,951	691,199		
Financial Assets Available for Sale (1)	1,796,830						
Investments Held to Maturity	12,866,022				17,398		
Receivables From Instalment Sale of Assets							
Miscellaneous Payables	6		141,402		4,797,162		
Interest and Income Accruals	1,442,527		29,703	227,744	651,664		
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)					3,473,708		
Tangible Assets					3,131,694		
Other Assets	1,503,398		246		362,502		
Off Balance Sheet Items	158,829		3,243,345	673,057	16,182,080		
Non-cash Loans and Commitments	158,829		2,470,702	673,057	16,019,244		
Derivative Financial Instruments			772,643		162,836		
Non- Risk-Weighted Accounts							
Total Risk Weighted Assets	29,123,298		11,056,692	15,214,499	79,325,649	375,978	64,859

(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)	80,616,131	61,589,240	89,837,922	68,517,989
Value at Market Risk (VaMR)	5,525,375	5,692,075	7,608,263	6,540,925
Value at Operational Risk (VaOR)	10,715,692	8,984,569	12,813,313	11,161,297
Shareholders' Equity	16,995,505	13,963,036	19,350,844	15,632,586
Shareholders' Equity/(VaCR+VaMR+VaOR)*10	17.55	18.31	17.55	18.13

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Information about the consolidated shareholders' equity items:

	Current Period	Prior Period
CORE CAPITAL (TIER I)		
Paid-In Capital	4,500,000	3,079,639
Nominal Capital	4,500,000	3,079,639
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,977,491
Share Premium	33,937	31,008
Share Cancellation Profits		
Legal Reserves	1,610,119	1,404,488
I. Legal Reserve (Turkish Commercial Code 466/1)	1,302,555	1,170,088
II. Legal Reserve (Turkish Commercial Code 466/2)	307,562	234,398
Other Legal Reserve Per Special Legislation	2	2
Statutory Reserves	28,293	20,362
Other Profit Reserves	-32,835	-20,696
Extraordinary Reserves	4,312,543	3,705,309
Reserves Allocated by the General Assembly	3,840,507	3,170,414
Retained Earnings	472,036	534,895
Accumulated Loss		
Exchange Rate Differences on Foreign Currency Share Capital		
Legal, Statutory and Extraordinary Reserves Inflation Adjustments		
Profit	3,028,597	2,567,793
Current Period Profit(1)	2,939,156	2,497,629
Prior Periods' Profit	89,441	70,164
Provision for Possible Losses (up to 25% of the Core Capital)	950,000	950,000
Gain on Sale of Associates, Subsidiaries and Real Estates		
Primary Subordinated Loans (up to 15% of the Core Capital)		
Minority Shares	2,419,552	1,809,467
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	116,201	109,738
Prepaid Expenses (-)	311,696	242,512
Intangible Assets (-)	48,944	38,077
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) (-)	7,170	7,170
Total Core Capital	17,982,133	15,127,364
SUPPLEMENTARY CAPITAL (TIER II)		
General Loan Loss Provision	745,322	538,702
45% of Movable's Revaluation Reserve		
45% of Immovable's Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures)	-1,179	1,383
Primary Subordinated Loans Excluding the Portion included in the Core Capital		
Secondary Subordinated Loan	77,500	74,850
45% of Marketable Securities Value Increase Fund (2)	558,666	259,223
Associates and Subsidiaries	413,285	146,771
Financial Assets Available for Sale	145,381	112,452
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	104,243	69,134
Total Supplementary Capital	1,484,552	943,292

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TIER III CAPITAL		
CAPITAL	19,466,685	16,070,656
DEDUCTIONS FROM THE CAPITAL	115,841	438,070
Investments in Unconsolidated Banks and Financial Institutions	3,150	306,204
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	64,563	59,757
Loans granted against the articles 50 and 51 of the Banking Law		
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	48,128	72,109
Others		
TOTAL SHAREHOLDERS' EQUITY	19,350,844	15,632,586

(1) Difference between the effective and direct shareholding was TL 32,256 in the current period. (31 December 2009: TL 20,289)

(2) 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.

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 Executive 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.

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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 more frequently 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 26% (31 December 2009: 28%).

(ii) The share of the Group's receivables from the top 100 non-cash loan customers in the overall non-cash portfolio stands at 44% (31 December 2009: 44%).

(iii) The share of the Group's cash and non-cash receivables from the top 100 credit customers in the overall balance sheet and in the assets followed under memorandum accounts stands at 25% (31 December 2009: 28%).

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 745,322.

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".

Strong	29.13%
Standard	55.96%
Below Standard	10.29%
Not Rated/Scored	4.62%

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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.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage (1)	707,471	708,764	1,008,533	1,008,533
Vehicle Pledge	103,281	103,281	167,539	167,539
Cash Collateral (Cash provisions, securities pledge, etc.)	6,269	16,769	14,243	14,243
Pledge on Wages	46,991	46,991	55,125	55,125
Cheques & Notes	17,486	17,486	35,632	35,632
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	99,949	85,805	244,246	244,246
Interest and Income Accruals (2)		548,602		745,380
Total	981,447	1,527,698	1,525,318	2,270,698

(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 figures 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.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage (1)	512,014	517,814	679,915	679,915
Cash Collateral	54	54	95	95
Vehicle Pledge	137,220	137,220	167,882	167,882
Other (suretyship, commercial enterprise under pledge, commercial papers, etc.)	63,980	63,980	78,821	78,821

(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	179,849	88,044	267,893
Corporate / Commercial Loans (1)	94,942	31,142	126,084
Consumer Loans (1)	26,038	13,633	39,671
Credit Cards	58,869	43,269	102,138
Lease Receivables (2)	11,312	905	12,217
Insurance Receivables	42,573	3,386	45,959
Total	233,734	92,335	326,069

(1) 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.

(2) Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 180,829.

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Prior Period	31-60 Days	61-90 Days	Total
Loans	211,779	170,059	381,838
Corporate / Commercial Loans (1)	76,052	42,466	118,518
Consumer Loans (1)	37,581	19,621	57,202
Credit Cards	98,146	107,972	206,118
Lease Receivables (2)	5,405	3,449	8,854
Insurance Receivables	15,371	6,933	22,304
Total	232,555	180,441	412,996

(1) 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 471,974 and TL 240,381 respectively.

(2) Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 167,206.

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	44,384,911	33,444,983	1,814,428	1,872,824	488,322	318,384	27,093,054	22,445,287
Public Sector	1,551,512	1,481,908			48,439,647	40,999,956	140,384	831,254
Banks			1,426,959	708,912	2,568,227	3,626,495	28,793,156	21,646,556
Retail Customers	19,899,994	15,251,813					15,760,930	13,400,560
Share Certificates					318,135	133,441	3,541,421	2,996,044
Geographical Concentration								
Domestic	64,838,414	48,805,665	2,872,166	2,142,654	48,252,332	41,307,773	50,847,605	42,546,291
European Union (EU)	404,173	770,995	335,824	377,900	3,469,887	3,682,811	22,558,303	12,719,055
OECD Countries (3)	8,680	7,106	232	367	4,261		951,303	2,222,766
Off-Shore Banking Regions	42,540		376	52,981	50,761	25,452	116,490	101
USA, Canada	157	14,603		59	13,981	47,051	132,258	3,280,746
Other Countries	542,453	580,335	32,789	7,775	23,109	15,189	722,986	550,742
Total	65,836,417	50,178,704	3,241,387	2,581,736	51,814,331	45,078,276	75,328,945	61,319,701

(1) Includes financial assets at fair value through profit or loss, financial assets available for sale and investments held to maturity.

(2) Includes banks, non-cash loans, commitments qua loans, investments in associates and subsidiaries, factoring receivables and derivative instruments.

(3) OECD countries other than EU countries, USA and Canada.

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13. Information on geographical concentration:

	Assets (1)	Liabilities(2)	Non-Cash Loans	Fixed Capital Investments (1)	Net Profit
Current 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
Prior Period					
Domestic	111,824,338	89,551,220	12,698,633	40,801	2,936,980
European Union Countries	11,158,868	18,568,082	247,637	10,687(3)	14,758
OECD Countries (4)	912,300	404,561	84,895		413
Off-Shore Banking Regions	116,337	111,040			-470,167
USA, Canada	952,460	3,164,484	28,718		
Other Countries	912,371	1,811,164	206,585		15,645
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				2,988,314	
Unallocated Assets/Liabilities					
Total	125,876,674	113,610,551	13,266,468	3,039,802	2,497,629

(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	642,584	1.42	32,251	0.14	623,774	1.72	21,124	0.13
Farming and Raising Livestock	526,154	1.16	14,718	0.06	528,653	1.46	13,773	0.08
Forestry	84,497	0.19	9,568	0.04	69,923	0.19	1,903	0.01
Fishing	31,933	0.07	7,965	0.04	25,198	0.07	5,448	0.04
Industry	7,868,228	17.38	11,060,907	46.45	6,602,278	18.29	7,461,411	44.77
Mining	210,553	0.47	202,688	0.85	514,177	1.42	307,357	1.84
Production	6,982,853	15.43	7,601,737	31.92	5,526,359	15.31	5,164,762	30.99
Electricity, gas, and water	674,822	1.48	3,256,482	13.68	561,742	1.56	1,989,292	11.94
Construction	2,052,451	4.53	1,293,853	5.43	1,470,951	4.08	1,184,929	7.11
Services	14,838,562	32.78	9,612,109	40.37	11,970,894	33.17	6,352,430	38.11
Wholesale and Retail Trade	7,466,200	16.49	2,106,047	8.84	5,781,744	16.02	1,600,476	9.60
Hotel, Food and Beverage Services	522,347	1.15	590,653	2.48	456,366	1.26	350,731	2.10
Transportation and Telecommunication	2,493,539	5.51	2,835,700	11.91	2,469,236	6.84	2,296,451	13.79
Financial Institutions	1,891,803	4.18	2,372,923	9.97	1,656,991	4.59	948,459	5.69
Real Estate and Renting Services	1,218,806	2.69	1,098,218	4.61	567,349	1.57	586,503	3.52
Self-Employment Services	686,831	1.52	277,278	1.16	557,443	1.54	278,837	1.67
Education Services	190,410	0.42	206,677	0.87	175,172	0.49	177,045	1.06
Health and Social Services	368,626	0.82	124,613	0.53	306,593	0.86	113,928	0.68
Other (1)	19,863,735	43.89	1,813,124	7.61	15,425,521	42.74	1,647,128	9.88
Total	45,265,560	100.00	23,812,244	100.00	36,093,418	100.00	16,667,022	100.00

(1) Interest income and accruals are included in the "Other" item.

III. 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, 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.

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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 2010.

a. Information on the market risk:

	Amount
(I) Capital Obligation against for General Market Risk – Standard Method	287,243
(II) Capital Obligation against for Specific Risk – Standard Method	89,545
(III) Capital Obligation against for Currency Risk – Standard Method	190,081
(IV) Capital Obligation against for Stocks Risk – Standard Method	35,398
(V) Capital Obligation against for Exchange Risk – Standard Method	
(VI) Capital Obligation against for Market Risk of Options – Standard Method	6,394
(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)	608,661
(IX) Value at Market Risk (12.5 x VIII) or (12.5 x VII)	7,608,263

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	335,129	297,327	364,647	365,256	420,653	398,123
Share Certificate Risk	53,224	79,461	40,569	30,958	27,671	20,578
Currency Risk	183,344	190,081	147,072	154,689	176,038	91,122
Commodity Risk	9,303	35,398	247	968	868	2,971
Settlement Risk						
Options Risk	2,236	6,394	457	209	117	143
Total Value at Risk	7,290,438	7,608,263	6,912,400	6,900,991	7,816,838	6,411,713

IV. Explanations on Consolidated 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 tracked 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 definitions related to operational risk, the methodology of its measurement and evaluation, 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”, “Control Culture Survey” and “Loss Database” are 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 Risk Management Department of the Parent Bank, 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 figures of the last three years is multiplied by 12.5, in line with the provisions of the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”. The operational risk amount calculated for the current period is TL 12,813,313 (31 December 2009: TL 11,161,297).

V. Explanations on Consolidated 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 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 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	EURO	YEN
31.12.2010	1.5400	2.0497	0.0190
30.12.2010	1.5500	2.0584	0.0190
29.12.2010	1.5600	2.0491	0.0190
28.12.2010	1.5550	2.0448	0.0189
27.12.2010	1.5450	2.0309	0.0186
24.12.2010	1.5450	2.0255	0.0186

The Bank's average FC buying rate over a period of thirty days preceding the date of the financial statement:

USD: TL 1.4977

EURO: TL 1.9787

YEN: TL 0.0180

Sensitivity to currency risk:

The Parent Bank'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	224,241	200,374
	10% decrease	-224,241	-200,374
EURO	10% increase	-10,908	-88,897
	10% decrease	10,908	88,897
GBP	10% increase	8,588	12,339
	10% decrease	-8,588	-12,339

(1) Indicates the values before tax.

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Information on currency risk:

	EURO	USD	Yen	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	4,123,759	125,640	524	349,861	4,599,784
Banks	892,444	2,467,424	9,925	375,664	3,745,457
Financial Assets at Fair Value through Profit/Loss (1)	87,247	124,524		235	212,006
Money Market Placements					
Financial Assets Available for Sale	2,208,837	8,509,960			10,718,797
Loans (2)	9,607,770	17,483,559	82,880	179,230	27,353,439
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)					
Investments Held to Maturity	1,728	5,232		5,069	12,029
Derivative Financial Assets Held for Risk Management					
Tangible Assets (1)	33,221	135		318	33,674
Intangible Assets (1)					
Other Assets (1)	613,905	949,033	2,260	129,212	1,694,410
Total Assets	17,568,911	29,665,507	95,589	1,039,589	48,369,596
Liabilities					
Banks Deposits	590,352	309,736	27	292,770	1,192,885
Foreign Currency Deposits (3)	12,792,105	14,640,818	15,551	1,324,896	28,773,370
Money Market Funds	210,845	3,680,976		242	3,892,063
Funds Provided from Other Financial Institutions	5,565,472	7,884,410		2,792	13,452,674
Marketable Securities Issued					
Miscellaneous Payables	140,245	304,661	558	9,590	455,054
Derivative Financial Liabilities Held for Risk Management					
Other Liabilities (1)	164,949	1,057,035	2,351	12,047	1,236,382
Total Liabilities	19,463,968	27,877,636	18,487	1,642,337	49,002,428
Net On Balance Sheet Position	-1,895,057	1,787,871	77,102	-602,748	-632,832
Net Off Balance Sheet Position	1,667,765	-191,231	-434,439	726,090	1,768,185
Derivative Financial Assets (4)	3,338,772	6,534,570	159,432	867,892	10,900,666
Derivative Financial Liabilities (4)	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
Prior Period					
Total Assets	17,760,816	26,443,001	121,247	1,282,407	45,607,471
Total Liabilities	18,644,093	26,124,943	48,579	1,276,284	46,093,899
Net Balance Sheet Position	-883,277	318,058	72,668	6,123	-486,428
Net Off Balance Sheet Position	-4,219	919,065	9,730	179,732	1,104,308
Derivative Financial Assets	654,077	2,821,597	33,298	188,068	3,697,040
Derivative Financial Liabilities	658,296	1,902,532	23,568	8,336	2,592,732
Non-Cash Loans	2,926,862	4,783,898	83,998	67,076	7,861,834

(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 126,543), Operating Lease Development Costs (TL 2,385), Prepaid Expenses and Taxes (TL 24,913), Intangible Assets (TL 784) in assets and General Reserves (TL 749), Derivative Financial Instruments Foreign Currency Expense Accruals (TL 100,686) and Shareholders' Equity (TL 145,341) 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 3,522,064 of the aforementioned loans; TL 1,921,988 is USD indexed, TL 1,502,644 is EUR indexed, TL 18,122 is CHF indexed, TL 2,029 is GBP indexed, TL 77,278 is JPY indexed and TL 3 is CAD indexed. The balances include factoring receivables.

(3) The item includes TL 336,249 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 increase or decrease that can arise in the value of interest sensitive assets and liabilities as a result of interest rate fluctuations. Measurement of interest rate risk is conducted through the scenario analysis on structural interest rate.

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 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% increase	1% increase	-335,903	-278,731	-123,967	-86,743
1% decrease	1% decrease	186,788	189,951	130,193	90,460

(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.

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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	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.

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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	1-5 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	5,230,946					3,558,782	8,789,728
Banks	7,996,402	282,539	2,070,666			102,138	10,451,745
Financial Assets at Fair Value through Profit/Loss	215,797	277,408	524,513	133,121	1,632	165,673	1,318,144
Money Market Placements							
Financial Assets Available for Sale	5,990,286	11,184,062	2,892,990	6,260,178	4,128,991	102,926	30,559,433
Loans	18,546,007	7,045,744	11,015,502	14,685,069	1,447,613	20,505	52,760,440
Investment Held to Maturity	176,132	5,369,695	3,363,930	4,437,550			13,347,307
Other Assets	585,026	109,916	230,098	464,849	19,982	10,279,808	11,689,679
Total Assets	38,740,596	24,269,364	20,097,699	25,980,767	5,598,218	14,229,832	128,916,476
Liabilities							
Banks Deposits	1,458,289	269,643	126,579			110,055	1,964,566
Other Deposits	47,602,754	10,474,059	4,455,267	186,517	31,882	7,339,927	70,090,406
Money Market Funds	8,876,285	2,834,762	1,622,970	138,620			13,472,637
Miscellaneous Payables	484,587	660		5,183		4,086,806	4,577,236
Marketable Securities Issued							
Funds Provided from Other Financial Institutions	2,443,762	7,764,725	2,532,487	2,034,212	99,101		14,874,287
Other Liabilities (1)	115,908	270,450	172,521	13,167		23,365,298	23,937,344
Total Liabilities	60,981,585	21,614,299	8,909,824	2,377,699	130,983	34,902,086	128,916,476
Balance Sheet Long Position		2,655,065	11,187,875	23,603,068	5,467,235		42,913,243
Balance Sheet Short Position	-22,240,989					-20,672,254	-42,913,243
Off Balance Sheet Long Position		1,982,239					1,982,239
Off Balance Sheet Short Position	-340,680		-244,316	-3,008,058			-3,593,054
Total Position	-22,581,669	4,637,304	10,943,559	20,595,010	5,467,235	-20,672,254	-1,610,815

(1) Shareholders' equity is shown in "non-interest bearing" column.

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Average interest rates applied to monetary financial instruments:

	EURO	USD	Yen	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	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 Provided from Other Financial Institutions	1.81	1.44		7.20

	EURO	USD	Yen	TL
Prior Period	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				5.20
Banks	0.37	1.06		9.35
Financial Assets at Fair Value through Profit/Loss	8.28	8.41		11.02
Money Market Placements				5.50
Financial Assets Available for Sale	4.48	5.23		10.32
Loans	5.02	3.41	4.71	16.42
Investments Held to Maturity	0.45	1.00		13.17
Liabilities				
Banks Deposits	1.03	2.04		7.18
Other Deposits	2.01	2.22	0.02	7.67
Money Market Funds	0.78	2.17		6.81
Miscellaneous Payables				
Marketable Securities Issued				
Funds Provided from Other Financial Institutions	2.26	1.46	1.96	15.02

VII. Explanations on Consolidated Liquidity Risk

Liquidity risk can arise as a result of funding long-term assets with short-term resources. Utmost care is taken by the Parent Bank and its financial institutions to maintain the consistency between the maturities of assets and liabilities; and strategies are used to acquire funds over longer terms.

TL and FC liquidity needs are principally met by 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 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 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. Furthermore, foreign currency and total liquidity adequacy ratio, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and liquidity adequacy ratios calculated under the classification of foreign currencies for maturity segments of 7 days, 31 days, 3 months and 12 months are also used as indicators to monitor liquidity. 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.

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 of the Parent Bank and in case of extraordinary situations where a quick action should be taken due to the unfavourable 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 of the Parent Bank in the year 2010 are given below compared to the prior period.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	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

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	274.43	267.63	143.14	146.45
Highest (%)	426.40	347.42	179.13	165.92
Lowest (%)	172.63	200.73	114.21	126.64

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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	5.663.780	2.932.126						8.595.906
Banks	352.224	5.171.025	365.305	487.141	103			6.375.798
Financial Assets at Fair Value through Profit/Loss	421.966	129.524	98.348	281.853	753.984	151.435		1.837.110
Money Market Placements		8.008	2.186					10.194
Financial Assets Available for Sale	141.865	3.304.607	1.450.483	6.486.703	17.367.036	7.430.513		36.181.207
Loans (2)	6.768.623	9.745.901	4.857.555	16.305.790	25.147.680	6.583.575		69.409.124
Investments Held to Maturity		16.098	579.678	263.886	13.055.179	155.788		14.070.629
Other Assets	3.719.485	999.556	78.341	221.452	926.032	322.459	8.063.443	14.330.768
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
Liabilities								
Bank Deposits	279.454	1.903.406	442.449	101.842				2.727.151
Other Deposits	14.409.439	52.769.243	14.267.579	4.044.346	232.361	26.500		85.749.468
Funds Provided from Other Financial Institutions	24.356	1.047.913	767.271	5.429.319	4.204.869	2.887.084		14.360.812
Money Market Funds		8.599.400	1.664.165	1.821.380	229.922	654.719		12.969.586
Marketable Securities Issued			150.089	45.865				195.954
Miscellaneous Payables	4.221.796	1.601.898	30.134	2.537	89.887			5.946.252
Other Liabilities	34.721	267.171	662.850	734.308	16.588	961	27.144.914	28.861.513
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	
Prior Period								
Total Assets	17.685.325	18.130.270	11.306.192	18.273.522	48.629.702	8.072.203	6.819.262	128.916.476
Total Liabilities	14.597.955	55.978.794	14.881.051	10.709.012	6.985.677	2.826.924	22.937.063	128.916.476
Liquidity Gap	3.087.370	-37.848.524	-3.574.859	7.564.510	41.644.025	5.245.279	-16.117.801	

(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.

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In compliance with the Turkish Financial Reporting Standard No.7, 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	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 (1)	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

(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	165,673	34,605	125,854	426,601	450,937	2,793	1,206,463	34,927	1,171,536
Banks	337,047	7,391,224	260,291	324,536	2,172,012	45,851	10,530,961	79,216	10,451,745
Financial Assets Available for Sale	102,927	1,547,895	5,199,315	5,721,374	17,902,914	7,545,300	38,019,725	7,460,292	30,559,433
Loans	5,510,414	8,633,182	5,315,740	14,631,933	22,012,910	3,139,283	59,243,462	6,483,022	52,760,440
Investments Held to Maturity		14,959	1,829,582	737,024	14,479,763	163,875	17,225,203	3,877,896	13,347,307
Liabilities									
Deposits	11,432,282	45,220,809	10,831,456	4,693,874	213,547	46,297	72,438,265	383,293	72,054,972
Funds Provided from Other Financial Institutions		565,753	924,699	4,854,693	7,150,621	2,669,403	16,165,169	1,290,882	14,874,287
Money Market Funds		8,661,777	2,802,304	1,486,716	270,575	408,521	13,629,893	157,256	13,472,637

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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	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

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	296,272	326,511	594,014	948,089	514,415	96,035	2,775,336
Endorsements		5,960	23,658	11,920			41,538
Letters of Guarantee	5,537,147	166,628	626,830	2,245,484	1,181,373	195,184	9,952,646
Acceptances	41,332	17,985	36,725	43,501	11,652		151,195
Other	244,009			3,637		98,107	345,753
Total	6,118,760	517,084	1,281,227	3,252,631	1,707,440	389,326	13,266,468

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	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-Buy	3,481,670		1,269,793	8,841,237	1,817,406	15,410,106
Swaps-Sell	3,452,388		1,284,664	8,782,171	1,817,406	15,336,629
Futures-Buy	2,039	34,958	6,305			43,302
Futures-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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	306,559	319,221	587,720	156,161		1,369,661
Forwards Contracts- Sell	306,238	318,925	587,292	156,020		1,368,475
Swaps-Buy	1,167,133	34,621	340,929	4,306,673	1,189,905	7,039,261
Swaps-Sell	1,177,827	34,224	287,245	4,327,979	1,189,905	7,017,180
Futures-Buy	13,901	5,687				19,588
Futures-Sell	13,656	5,659	1,123,134	520,527		1,662,976
Options-Call	686,448	187,790	631,761	455,515		1,961,514
Options-Put	665,448	176,790	616,812	455,515		1,914,565
Other	828	65,587		42,415		108,830
Total	4,338,038	1,148,504	4,174,893	10,420,805	2,379,810	22,462,050

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 114,692 (31 December 2009: TL 141,991) 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	125,715,632	107,118,925	128,448,241	109,460,499
Money Market Placements	10,194		10,194	
Banks	6,375,798	10,451,745	6,389,530	10,458,886
Financial Assets Available for Sale	36,181,207	30,559,433	36,181,207	30,559,433
Investments Held to Maturity	14,070,629	13,347,307	15,725,579	14,219,574
Loans	69,077,804	52,760,440	70,141,732	54,222,606
Financial Liabilities	108,979,637	91,506,495	108,794,594	91,841,011
Banks Deposits	2,727,151	1,964,566	2,730,589	1,966,661
Other Deposits	85,749,468	70,090,406	85,683,318	70,126,421
Funds Provided from Other Financial Institutions	14,360,812	14,874,287	14,238,481	15,170,693
Marketable Securities Issued	195,954		195,954	
Miscellaneous Payables	5,946,252	4,577,236	5,946,252	4,577,236

Fair value of investments held to maturity 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 value 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.

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Current 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.

Prior Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	976,260		
Equity Securities	89,683		
Derivative Financial Assets Held for Trading	15,822	130,786	
Other	103,883	1,710	
Financial Assets Available-for-Sale			
Debt Securities	19,511,896		10,944,610
Equity Securities (1)	8,285		
Other	3,452	55,717	
Investments in Subsidiaries and Associates(2)	1,419,763		
Derivative Financial Liabilities		498,835	

(1) Since they are not traded in an active market, the equity securities (TL 35,473) 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 available-for-sale at level 3 is given below.

	Current Period	Prior Period
Balance at the Beginning of the Period	10,944,610	13,008,813
Purchases	9,611,772	8,496,809
Redemption or Sales	-10,506,305	-9,980,283
Valuation Difference	119,038	-580,729
Transfers (1)	-1,469,225	
Balance at the end of the Period	8,699,890	10,944,610

(1) They are securities, which are valued at market price depending on their market trading during the current period.

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 (excluding real person merchants) 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.

Services are provided to individuals, real-person merchants and non-trading corporations and institutions within the context of "Retail Banking". The requirements of this customer segment 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. The details about the aforementioned investments are stated in note I.7 and I.8 section of Part Five.

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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							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
Other Interest Expense						10,589	10,589
Interest Expense on Securities Issued					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
Other Liabilities					195,954		195,954
Provisions	39,870				52,797	7,436,627	7,529,294
Shareholders' Equity						7,560,506	7,560,506
						18,986,655	18,986,655
							150,810,736

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Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
<i>Interest Income</i>							11,370,516
Interest Income from Loans	1,284,094	2,569,390	2,988,436	64,963		135,205	7,042,088
Interest Income from Banks					240,221		240,221
Interest Income from Money Market Transactions					101,806		101,806
Interest Income from Securities					3,644,342		3,644,342
Finance Lease Income	28,774	74,667					103,441
Other Interest Income	89	542	32		180,758	57,197	238,618
<i>Interest Expense</i>							5,630,372
Interest Expense on Deposits	891,788	213,684	1,616,086	1,769,678			4,491,236
Interest Expense on Funds Borrowed	181,199				586,219		767,418
Interest Expense on Money Market Transactions					362,312		362,312
Other Interest Expense	404					9,002	9,406
Net Interest Income							5,740,144
Net Fees and Commissions Income							976,898
Fees and Commissions Received	109,561	375,078	518,577	68,812	63,096	334,246	1,469,370
Fees and Commissions Paid	438	457			12,261	479,316	492,472
Dividend Income					166,338		166,338
Trading Income/Loss (Net)					557,041		557,041
Other Income	794,754	500,405	1,010,580		101,291	1,096,882	3,503,912
Prov. for Loans and Other Receivables					64,849	2,298,716	2,363,565
Other Operating Expense	1,033,062	930,202	2,115,253	50,074	129,184	955,484	5,213,259
Income Before Tax							3,367,509
Tax Provision							615,205
Net Period Profit							2,752,304
Group Profit/Loss							2,497,629
Minority Shares' Profit/Loss							254,675
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L					1,318,144		1,318,144
Banks and Other Financial Institutions					10,451,745		10,451,745
Money Market Placements							
Financial Assets Available for Sale					30,559,433		30,559,433
Loans and Receivables	20,989,634	15,457,782	15,817,600	495,424			52,760,440
Investments Held to Maturity					13,347,307		13,347,307
Associates and Subsidiaries					2,996,044		2,996,044
Lease Receivables	354,939	575,132			945		931,016
Other					1,438,468	15,113,879	16,552,347
							128,916,476
SEGMENT LIABILITIES							
Deposits	15,270,840	6,849,942	26,961,182	22,973,008			72,054,972
Derivative Financial Liabilities Held for Trading					498,835		498,835
Funds Borrowed	5,130,428				9,743,859		14,874,287
Money Market Funds					13,472,637		13,472,637
Other Liabilities					497,634	5,099,877	5,597,511
Provisions						7,112,309	7,112,309
Shareholders' Equity						15,305,925	15,305,925
							128,916,476

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	671,079	261,744	563,586	222,916
Central Bank of Turkey	3,325,043	4,008,099	5,230,946	2,665,352
Other		329,941		106,928
Total	3,996,122	4,599,784	5,794,532	2,995,196

b. Information on Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	3,325,043	1,081,280	5,230,946	886,026
Unrestricted Time Deposit				
Restricted Time Deposit				
Other (1)		2,926,819		1,779,326
Total	3,325,043	4,008,099	5,230,946	2,665,352

(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 at the rates of 6% and 11%, respectively (beginning from 4 February 2011 between 5%-12% for TL deposits depending on the maturity, 9% for other TL liabilities). Reserves are calculated and set aside every two weeks on Fridays for 14-day periods in TL for TL liabilities and in US Dollar and/or Euro for FC liabilities. The CBT used to pay interest in quarterly periods for TL reserves at the rates determined by itself, but starting from 1 October 2010, with the amendment to the aforementioned communiqué, the CBT began not to pay interest for TL reserve requirements either, like for the FC 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 2010 are amounting to TL 8,540 (31 December 2009: TL 4,258).

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 2010 are amounting to TL 487,909 (31 December 2009: TL 447,269).

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c. Positive differences on derivative financial assets held for trading:

Derivative Financial Instruments Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	7,758	61,822	28,514	12,469
Swap Transactions	13,615	173,687	7,874	73,179
Futures	224		15,822	
Options	974	16,411	627	8,123
Other	124			
Total	22,695	251,920	52,837	93,771

3. Information on Banks:

a. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	2,329,622	1,080,675	1,613,424	331,350
Foreign Banks	300,719	2,664,782	198,469	8,308,502
Foreign Head Office and Branches				
Total	2,630,341	3,745,457	1,811,893	8,639,852

b. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,863,092	6,407,047		
USA, Canada	85,091	865,408	77	75
OECD Countries (1)	616,458	904,882		
Off-shore Banking Regions	116,490	101		
Other	229,837	329,458	54,456	
Total	2,910,968	8,506,896	54,533	75

(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 2,758,380 as of 31 December 2010. (31 December 2009: TL 4,757,220).

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 9,301,139 as of 31 December 2010. (31 December 2009: TL 8,705,551).

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c. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	35,917,223	30,466,371
Traded on the Stock Exchange	27,217,333	19,521,761
Not Traded on the Stock Exchange	8,699,890	10,944,610
Equity Securities	81,836	51,704
Traded on the Stock Exchange	34,914	8,545
Not Traded on the Stock Exchange	46,922	43,159
Value Increases / Impairment Losses (-) (1)	12,928	17,811
Other	195,076	59,169
Total	36,181,207	30,559,433

(1)Indicates the valuation difference related to financial assets whose costs are above their market values.

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	399,659	81	339,264	81
Total	399,659	81	339,264	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	67,410,275	139,831	885,321	642,377
Discount Notes	32,455			
Export Loans	4,260,341		52,555	
Import Loans	159			
Loans Extended to Financial Sector	2,720,124			
Foreign Loans	1,369,419		3,689	
Consumer Loans	14,221,621	276	207,118	95,040
Credit Cards	5,339,136	125,342	75,555	30,059
Precious Metal Loans	10,836			
Other	39,456,184	14,213	546,404	517,278
Specialized Loans				
Other Receivables				
Total	67,410,275	139,831	885,321	642,377

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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	22,803,060	23,769	262,095	30,545
Non-Specialized Loans	22,803,060	23,769	262,095	30,545
Specialized Loans				
Other Receivables				
Medium and long-term Loans and Other Receivables				
Non-Specialized Loans	44,607,215	116,062	623,226	611,832
Specialized Loans	44,607,215	116,062	623,226	611,832
Other Receivables				

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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	550,741	12,973,042	155,705	13,679,488
Real Estate Loans	22,647	5,908,077	103,840	6,034,564
Vehicle Loans	35,626	828,912	5,570	870,108
General Purpose Consumer Loans	261,712	4,190,406	32,983	4,485,101
Other Consumer Loans	230,756	2,045,647	13,312	2,289,715
Consumer Loans – FC Indexed		120,925	47,368	168,293
Real Estate Loans		118,634	46,527	165,161
Vehicle Loans		2,291	841	3,132
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans – FC	569	119,446	480	120,495
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans	569	119,446	480	120,495
Other Consumer Loans				
Retail Credit Cards-TL	4,801,905	370,906	27,744	5,200,555
With Instalments	1,827,248	370,906		2,198,154
Without Instalments	2,974,657		27,744	3,002,401
Retail Credit Cards-FC				
With Instalments				
Without Instalments				
Personnel Loans-TL	18,262	277,878	3,581	299,721
Real Estate Loans	241	75,498	1,762	77,501
Vehicle Loans	216	8,523	63	8,802
General Purpose Consumer Loans	8,420	127,412	1,140	136,972
Other Consumer Loans	9,385	66,445	616	76,446
Personnel Loans- FC Indexed		1,750	514	2,264
Real Estate Loans		1,750	514	2,264
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans-FC	464	1,461	3	1,928
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans	464	1,461	3	1,928
Other Consumer Loans				
Personnel Credit Cards-TL	81,848		749	82,597
With Instalments	31,213			31,213
Without Instalments	50,635		749	51,384
Personnel Credit Cards-FC				
With Instalments				
Without Instalments				
Overdraft Accounts – TL (real persons)	244,089		7,777	251,866
Overdraft Accounts – FC (real persons)				
Total	5,697,878	13,865,408	243,921	19,807,207

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e. Instalment based commercial loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Instalments-TL	709,064	8,581,916	83,640	9,374,620
Real Estate Loans	2,053	503,238	3,976	509,267
Vehicle Loans	94,642	2,002,098	13,690	2,110,430
General Purpose Commercial Loans	611,244	5,946,760	62,051	6,620,055
Other Commercial Loans	1,125	129,820	3,923	134,868
Commercial Loans With Instalments-FC Indexed	27,402	740,522	56,696	824,620
Real Estate Loans		66,740	7,871	74,611
Vehicle Loans	2,905	315,381	22,922	341,208
General Purpose Commercial Loans	24,497	343,707	25,382	393,586
Other Commercial Loans		14,694	521	15,215
Commercial Loans With Instalments-FC		49,754	16	49,770
Real Estate Loans				
Vehicle Loans				
General Purpose Commercial Loans				
Other Commercial Loans		49,754	16	49,770
Corporate Credit Cards-TL	286,783	24	133	286,940
With Instalments	34,055	24		34,079
Without Instalments	252,728		133	252,861
Corporate Credit Cards-FC				
With Instalments				
Without Instalments				
Overdraft Accounts – TL (corporate)	499,020		18,650	517,670
Overdraft Accounts – FC (corporate)				
Total	1,522,269	9,372,216	159,135	11,053,620

f. Allocation of loan by borrowers:

	Current Period	Prior Period
Public Sector	1,866,916	1,525,045
Private Sector	67,210,888	51,235,395
Total	69,077,804	52,760,440

g. International and domestic loans:

	Current Period	Prior Period
Domestic Loans	67,710,580	50,948,319
International Loans	1,367,224	1,812,121
Total	69,077,804	52,760,440

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h. Loans to subsidiaries and associates:

	Current Period	Prior Period
Direct Lending to Subsidiaries and Associates	59,731	153,471
Indirect Lending to Subsidiaries and Associates		
Total	59,731	153,471

i. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	161,287	1,398,777
Loans and Receivables with Doubtful Collectibility	303,735	474,859
Uncollectible Loans and Receivables	1,998,575	944,187
Total	2,463,597	2,817,823

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)	9,312	9,259	67,211
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	9,312	9,259	67,211
Prior Period			
(Gross amounts before the specific provisions)	42,398	15,407	69,532
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	42,398	15,407	69,532

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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	1,398,777	474,859	944,187
Corporate and Commercial Loans	810,539	275,212	699,059
Retail Loans	291,259	92,764	97,758
Credit Cards	296,977	86,471	147,370
Other	2	20,412	
Additions (+)	832,695	96,250	76,775
Corporate and Commercial Loans	453,412	37,303	42,818
Retail Loans	171,873	22,383	24,508
Credit Cards	207,389	12,504	9,449
Other	21	24,060	
Transfers from Other NPL categories		1,861,268	1,884,920
Corporate and Commercial Loans		1,062,359	1,106,328
Retail Loans		380,040	379,702
Credit Cards		418,846	398,890
Other		23	
Transfers to Other NPL categories (-)	1,861,268	1,884,920	
Corporate and Commercial Loans	1,062,359	1,106,328	
Retail Loans	380,040	379,702	
Credit Cards	418,846	398,890	
Other	23		
Collections (-)	208,610	239,504	634,473
Corporate and Commercial Loans	104,966	136,519	402,665
Retail Loans	52,694	59,008	142,344
Credit Cards	50,950	43,228	89,464
Other		749	
Write-Offs (-)	307	4,218	272,834
Corporate and Commercial Loans	198	3,811	227,336
Retail Loans	72	176	14,000
Credit Cards	37	114	31,498
Other		117	
Current Period Ending Balance	161,287	303,735	1,998,575
Corporate and Commercial Loans	96,428	128,216	1,218,204
Retail Loans	30,326	56,301	345,624
Credit Cards	34,533	75,589	434,747
Other		43,629	
Specific Provisions (-)	161,287	303,735	1,998,575
Corporate and Commercial Loans	96,428	128,216	1,218,204
Retail Loans	30,326	56,301	345,624
Credit Cards	34,533	75,589	434,747
Other		43,629	
Net Balance on Balance Sheet			

(*) In the current year, TL 300,401 of the non-performing loans portfolio were transferred to Girişim Varlık Yönetim A.Ş. in exchange for TL 50,828 and TL 41,925 of the portfolio, TL 13,404 of which were composed of formerly written-off receivables, were transferred to Varlık Yönetim A.Ş. in exchange for TL 6,487.

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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	41,409		55,176
Specific Provisions (-)	41,409		55,176
Net Balance on Balance Sheet			
Prior Period:			
Period Ending Balance	29,112	1,122	56,763
Specific Provisions (-)	29,112	1,122	56,763
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)	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)			
Prior Period (Net)			
Loans to Individuals and Corporates (Gross)	1,398,703	454,447	938,735
Specific Provisions (-)	1,398,703	454,447	938,735
Loans to Individuals and Corporates (Net)			
Banks (Gross)	72		108
Specific Provisions (-)	72		108
Banks (Net)			
Other Loans and Receivables (Gross)	2	20,412	5,344
Specific Provisions (-)	2	20,412	5,344
Other Loans and Receivables (Net)			

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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 2,079,105 as of 31 December 2010 (31 December 2009: TL 597,775).

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 2,630,105 as of 31 December 2010 (31 December 2009: TL 4,306,196).

c. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	14,052,833	12,009,230
Treasury Bills		
Other Public Debt Securities		
Total	14,052,833	12,009,230

d. Information on investments held-to-maturity:

	Current Period	Prior Period
Debt Securities	14,070,629	13,347,307
Traded on the Stock Exchange	14,039,747	13,325,807
Not Traded on the Stock Exchange	30,882	21,500
Impairment Losses (-)		
Total	14,070,629	13,347,307

e. Movement of the investments held to maturity during the year:

	Current Period	Prior Period
Beginning Balance	13,347,307	3,765,859
Foreign Exchange Differences Arising on Monetary Assets	-120,880	-27,359
Purchases During the Year	2,768,157	11,233,692
Transfers		273,581
Disposals through Sales and Redemption	-2,300,020	-1,855,511
Impairment Losses (-)		
Changes in amortized costs of the investments	376,065	-42,955
Balance at the end of the Period	14,070,629	13,347,307

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7. Associates (Net):

a.1. Information on unconsolidated associates:

The amount of unconsolidated subsidiaries at the consolidated financial statements is TL 3,150.

	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	9.98	9.98
2-	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	9.09	9.09

a.2. Financial statement information of associates according to the order above:

	Total Assets (1)	Shareholders' Equity (1)	Total Tangible Assets (1)	Interest Income (1)	Securities Income (1)	Current Period Profit/Loss (1)	Prior Period Profit/Loss (2)	Fair Value
1-	21,011	15,865	6,737	912		1,465	1,067	-
2-	29,833	22,673	1,764	2,499	9	9,103	6,693	-

(1) Indicates values as of 31December 2009.

(2) Indicates value as of 31December 2008.

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 (1)	Shareholders' Equity (1)	Total Tangible Assets (1)	Interest Income (1)	Securities Income (1)	Current Period Profit/Loss (1)	Prior Period Profit/Loss (2)	Fair Value
1,199,553	313,781	24,481	54,889	-1,559	23,358	31,713	-

(1) Indicates values as of 31December 2010.

(2) Indicates value as of 31December 2009.

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.

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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 (2)	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-	İş Factoring Finansman Hizmetleri A.Ş.	İstanbul/TURKEY	40.73	59.27
5-	İş Finansal Kiralama A.Ş.	İstanbul/TURKEY	40.10	59.90
6-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	50.42	49.58
7-	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	33.48	66.52
8-	İş Portföy Yönetimi A.Ş.	İstanbul/TURKEY	65.84	34.16
9-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	67.62	32.38
10-	İş Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	20.74	79.26
11-	İşbank GmbH	Frankfurt/GERMANY	100.00	0.00
12-	Maxis Securities Ltd.	London /ENGLAND	67.62	32.38
13-	Milli Reasürans T.A.Ş.	İstanbul/TURKEY	76.64	23.36
14-	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	25.93	74.07
15-	TSKB Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	17.10	82.90
16-	Türkiye Sınai Kalkınma Bankası A.Ş. (3)	İstanbul/TURKEY	43.01	56.99
17-	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.

(2) The Parent Bank sold its 35.53% share in Anadolu Anonim Türk Sigorta Şirketi to Milli Reasürans T.A.Ş.

(3) Mll Reasürans T.A.Ş purchased 0.70% of Türkiye Sınai Kalkınma Bankası shares from the market.

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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-	1,664,299	634,407	47,543	41,031	44,378	6,606	50,904	(3) (4)
2-	5,003,487	438,914	23,173	5,841	177,919	58,617	79,284	(3) (4)
3-	142,623	2,541	822	990	98	-356	-425	(3) (4)
4-	477,482	49,854	128	29,455	1,507	5,333	7,194	
5-	2,093,398	475,961	1,532	57,615	2,960	63,702	105,388	
6-	1,096,242	990,021	1,005,994	6,166	871	60,918	60,299	
7-	140,561	137,724	318	4,077	1,742	10,848	8,250	(3) (4)
8-	66,162	54,509	1,061	4,472	1,568	10,986	12,707	
9-	3,280,609	546,672	9,261	137,389	21,489	66,980	94,777	(3) (4)
10-	243,214	242,487	25	6,791	10,472	26,235	51,751	(3) (4)
11-	1,624,469	148,765	33,690	64,295	0	10,086	9,589	
12-	51,820	7,211	526	2,459	0	464	-617	(3) (4)
13-	1,618,717	811,963	48,174	76,449	51,682	78,301	91,705	
14-	337,179	220,934	290,313	2,058	20	6,208	55,346	
15-	44,279	44,211	0	748	5,962	5,633	12,378	
16-	8,362,560	1,398,521	240,039	458,918	5,814	227,755	260,898	
17-	529,390	59,980	1,597	30,267	27,924	9,517	8,103	

(1) Includes interest income on Securities.

(2) Period profit/loss as of 31 December 2009.

(3) Figures given as of 30 September 2010.

(4) Prior period profit/loss is the period profit/loss as of 30 September 2009.

b. 2. Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	2,343,739	1,061,894
Movements in the Period		
Purchases (1)	213,187	81,734
Bonus Shares Acquired	26,692	
Dividends Received from the Current Year Profit		
Sales	-239,511	
Revaluation Surplus (2)	448,240	1,200,111
Impairment		
Balance at the End of the Period	2,792,347	2,343,739
Capital Commitments		
Contribution in equity at the end of the period (%)		

(1) Also includes the acquisitions related to capital increases through retained earning.

(2) The relevant amounts represent the increases and decreases in the market value of participations traded on the stock exchange during the related periods.

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b. 3. Sectoral information on consolidated subsidiaries and the related carrying amounts:

Subsidiaries	Current Period	Prior Period
Banks	790,240	481,498
Insurance Companies	1,209,520	1,244,040
Factoring Companies		
Leasing Companies	114,790	72,265
Finance Companies		
Other Financial Subsidiaries	677,797	545,936
Total	2,792,347	2,343,739

b. 4. Consolidated subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	2,370,596	2,029,282
Traded on international stock exchanges		

b. 5. Consolidated subsidiaries disposed of in the current period: None.

b. 6. Subsidiaries acquired in the current period: None

b. 7. Other issues related to subsidiaries:

All of the Parent Bank's 31.57% share in the TL 9,397 capital of Çayırova Cam Sanayii A.Ş., with a nominal value of TL 2,966 was sold to Türkiye Şişe ve Cam Fabrikaları A.Ş. at TL 83,017 cash in advance. TL 77,377 sales profit was generated as a result of the sales process.

All of the Parent Bank's 78.46% share in the TL 20,142 capital of Camiş Madencilik A.Ş., with a nominal value of TL 15,804 was sold to Türkiye Şişe ve Cam Fabrikaları A.Ş. at USD 56,100,762 (full amount) cash in advance. TL 47,528 sales profit was generated as a result of the sales process.

Türkiye Sınai Kalkınma Bankası sold all its shares in Ünsa Ambalaj Sanayi ve Ticaret A.Ş. and Senapa Stampa Ambalaj Sanayi ve Ticaret A.Ş., which were formerly acquired by via using funds from the risk capital source of the European Investment Bank.

The Parent Bank purchased the shares of Türkiye Şişe ve Cam Fabrikaları A.Ş. with a total nominal value of TL 46,259, which were held by Trakya Cam San. A.Ş., Çayırova Cam San. A.Ş., Paşabahçe Cam San. ve Tic. A.Ş., Paşabahçe Eskişehir Cam San. ve Tic. A.Ş., Cam Elyaf San. A.Ş. and Camiş Madencilik A.Ş. at TL 111,947 cash in advance at the ISE Wholesale Market. After the purchase, the Bank's 64.11% share in the capital of Türkiye Şişe ve Cam Fabrikaları A.Ş. increased to 68.15%.

b. 8. Other:

As per the resolution of the Bank's Board of Directors dated 25 October 2010, the Share Purchase Agreement regarding the purchase of % 100 shares of Closed Joint Stock Company Bank Sofia operating in Russia was signed. Necessary authorization on the subject has been granted by the Banking Regulation and Supervision Agency and the Russian Government Commission and the share transfers shall be realized following the permission of the Russian Central Bank. Conditions for acquisition and information on the afore-mentioned bank were announced to public by a material disclosure on 25 October 2010.

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	409,423	339,933	416,567	342,330
1-4 Years	616,374	529,691	596,162	512,313
More than 4 Years	100,803	92,673	82,301	75,428
Total	1,126,600	962,297	1,095,030	930,071

a. 2. Information regarding net investments made on finance lease:

	Current Period	Prior Period
Gross Finance Lease Investment	1,126,600	1,095,030
Unearned Financial Revenue from Financial Lease (-)	164,303	164,959
Net Finance Lease Investment	962,297	930,071

b. Presentation of operating lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	968	968	945	945
1-4 Years				
More than 4 Years				
Total	968	968	945	945

11. Explanations on derivative financial assets held for risk management:

The Group has no derivative financial assets held for risk management.

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12. Information on Tangible Assets (Net):

	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Current Period					
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 (2)	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	-2,197,302		-9,976	-760,071	-2,967,349
Movements in the Period					
- 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.

	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Prior Period					
Acquisition Cost					
Balance at the Beginning of the Period	3,754,559	70,896	18,116	1,047,523	4,891,094
Movements in the Period					
- Acquisitions (1)	54,671	32,312	3,232	165,265	255,480
- Disposals	-111,678	-2,178	-2,649	-35,013	-151,518
- Impairment	-3,014			-525	-3,539
- Transfers	55,070	-39,490		525	16,105
Balance at the End of the Current Period	3,749,608	61,540	18,699	1,177,775	5,007,622
Accumulated Depreciation					
Balance at the Beginning of the Period	-2,156,941		-9,225	-671,122	-2,837,288
Movements in the Period					
- Depreciation Charge	-54,788		-3,225	-104,143	-162,156
- Disposals	17,914		2,474	15,194	35,582
- Impairment					
- Transfers	-3,487				-3,487
Balance at the End of the Current Period	-2,197,302		-9,976	-760,071	-2,967,349
Net Book Value at the End of the Prior Period	1,597,618	70,896	8,891	376,401	2,053,806
Net Book Value at the End of the Current Period	1,552,306	61,540	8,723	417,704	2,040,273

(1) As of the balance sheet date, the book value of tangible assets acquired during the period due to receivables amounts to TL 64,836.

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	149,000	126,420
Movements in the Period		
- Acquisitions	58,149	24,485
- Disposals		-1,905
- Impairment		
- Transfers	8,110	
- Impact of Consolidated Subsidiaries	2,040	
Balance at the End of the Period	217,299	149,000
Accumulated Amortization		
Balance at the Beginning of the Period	-110,923	-65,121
Movements in the Period		
- Amortization Charge (-)	-51,375	-47,607
- Disposals		1,805
- Impairment		
- Transfers	-5,491	
- Impact of Consolidated Subsidiaries	-566	
Balance at the End of the Current Period	-168,355	-110,923
Net Book Value at the End of the Prior Period	38,077	61,299
Net Book Value at the End of the Period	48,944	38,077

14. Information on investment property:

Investment properties are properties that the Group holds to earn rentals. These properties are also subject to the same course of action with the other properties in terms of recognition and valuation. Explanations on these subjects are given in “Section Three: XIV. Explanations on Tangible Assets” section.

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	999,210	983,620
Movements in the Period		
- Acquisitions	164,950	34,119
- Disposals	-2,136	-15,600
- Impairment	12,725	8,937
- Transfers	760	-11,866
- Impact of Consolidated Subsidiaries	278,976	
Balance at the End of the Period	1,454,485	999,210
Accumulated Amortization		
Balance at the Beginning of the Period	-188,428	-185,747
Movements in the Period		
- Amortization Charge	-23,900	-22,030
- Disposals		15,600
- Impairment		
- Transfers		3,749
- Impact of Consolidated Subsidiaries		
Balance at the End of the Current Period	-212,328	-188,428
Net Book Value at the End of the Prior Period	810,782	797,873
Net Book Value at the End of the Period	1,242,157	810,782

15. Information on deferred tax asset:

The Parent Bank and the other consolidated Group companies have TL 820,736 deferred tax asset as of 31 December 2010. 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. As of 31 December 2010, the Group does not have any deferred tax asset arising from either carry forward losses or tax rebates. The movement of deferred tax asset is as follows:

	Current Period	Prior Period
Deferred Tax (Asset)/Liability:		
Tangible Assets Base Differences	25,572	20,677
Provisions (1)	-414,750	-364,280
Finance Lease Adjustment	3,416	-787
Valuation of Financial Assets	-370,615	-199,879
Other (2)	-64,359	-71,863
Net Deferred Tax (Asset)/Liability:	-820,736	-616,132

(1) Comprises 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 516,688 unused investment incentive and TL 74,552 (31 December 2009: TL 62,431) 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	616,132	370,043
Deferred Tax Benefit / (Charge) (Net)	208,333	308,332
Deferred Tax Recognized under Equity	-9,253	-62,243
Impact of Consolidated Subsidiaries	712	
Deferred Tax Asset	815,924	616,132

(*)In the current period consolidated financial statements, deferred tax asset amounts to TL 820,736 and the deferred tax liability amounts to TL 4,812; the movement table states the net balance. Explanations on deferred tax liability are given in Part Five footnote II 8.b.

16. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Balance at the Beginning of the Period	28,801	20,542
Additions	54,690	27,315
Transfers	7,769	-4,501
Disposals (-)	-36,457	-13,377
Impairment Losses (-)		-1,161
Amortization	-570	-17
Balance at the End of the Period (Net)	54,233	28,801

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.

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II. Explanation 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	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 Banks	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

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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	3,379,762		15,914,795	9,273,682	708,481	466,735	335,613		30,079,068
Foreign Currency Deposits	4,389,868		9,603,436	8,183,079	974,102	1,438,398	2,450,179		27,039,062
Residents in Turkey	4,167,356		9,035,947	7,874,404	708,472	627,756	1,571,980		23,985,915
Residents Abroad	222,512		567,489	308,675	265,630	810,642	878,199		3,053,147
Deposits of Public Institutions	286,394		87,419	281,271	3,363		12,194		670,641
Commercial Deposits	2,823,931		1,571,523	2,066,729	391,335	32,177	707,583		7,593,278
Other Institutions Deposits	197,317		1,062,704	2,994,142	12,642	740	328,117		4,595,662
Precious Metals Deposits	112,695								112,695
Interbank Deposits	224,532		516,554	927,104	205,026	22,179	69,171		1,964,566
The Central Bank of Turkey	62,546								62,546
Domestic Banks	18,648		111,701	500,793			1,108		632,250
Foreign Banks	141,541		404,853	426,311	205,026	22,179	68,063		1,267,973
Participation	1,797								1,797
Other									
Total	11,414,499		28,756,431	23,726,007	2,294,949	1,960,229	3,902,857		72,054,972

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	16,526,269	13,768,529	21,470,358	16,015,035
Foreign Currency Savings Deposits	5,936,695	5,999,584	11,306,743	11,005,466
Other Deposits in the Form of Savings Deposits				
Foreign Branches' Deposits Under Foreign Authorities' Insurance	1,578,275	1,428,195	65,303	65,140
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			67,171	51,867

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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	279,628	251,869
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	8,689	7,175
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	8,068	58,897	303	39,539
Swap Transactions	387,262	232,207	331,679	113,065
Futures	161			
Options	808	43,812	591	13,658
Other	95			
Total	396,394	334,916	332,573	166,262

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	873,131	483,658	389,813	456,196
Funds borrowed from Foreign banks, institutions and funds	35,007	12,891,069	2,259,416	11,693,519
Total	908,138	13,374,727	2,649,229	12,149,715

b. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	905,269	4,883,754	417,261	3,848,143
Medium and Long-term	2,869	8,490,973	2,231,968	8,301,572
Total	908,138	13,374,727	2,649,229	12,149,715

c. Concentration of the liabilities of the Group:

Of the Group's liabilities 59% are comprised of deposits, 8% funds provided from repurchase agreements and 9% 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 Group's liabilities.

4. Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

5. Information on lease payables (Net):

a. Clauses that subjects the Group to important liabilities about criteria used in defining rent instalments of finance lease contracts, renewal and buy options, and limitations taking place at the arrangements: Finance lease contracts are signed with purchasing options and the payments are made in equal instalments.

b. The detailed information on changes of contracts and new liabilities formed by these contract changes: There have not been any changes.

c. Liabilities resulting from finance lease transactions: None.

d. Information on operating lease transactions: Transactions related to the operating lease are accounted on accrual basis.

e. Sale and lease-back transactions: There are no sale and lease-back transactions of the Group.

6. Information on derivative financial liabilities held for risk management:

The Group does not have any derivative financial liabilities held for risk management purposes.

7. Information on provisions:

a. Information on general loan loss provisions:

	Current Period	Prior Period
General Loan Loss Provisions	745,322	538,702
Provision for Group I Loans and Receivables	570,518	328,331
Provision for Group II Loans and Receivables(1)	31,547	46,432
Provision for Non-cash Loans	78,496	54,079
Other	64,761	109,860

(1)Also includes general provision for Group II Non-cash Loans.

b. 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 one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits, which is TL 2,623.23 (full TL amount as of 1 January 2011). The Parent Bank books provisions for employee termination benefits by calculating the present value of potential liabilities.

On Group basis, TL 222,643 provision was set aside and shown in the financial statements as of 31 December 2010 (31 December 2009: TL 166,068).

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The main actuarial assumptions used in the calculation of the employee termination benefits:

- the discount rate used for the current year is 4.66%.
- TL 2,623.23 salary ceiling, which was effective as at 1 January 2011 was taken into account in the current year calculations.
- it is assumed that the amount of the salary ceiling will increase each year in line with the inflation rate.
- 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	166,068	146,343
Service Cost	14,643	12,838
Interest Cost	16,487	13,782
Benefits paid	-14,475	-20,911
Loss (Gain) due to Payments / Limitation of Benefits / Dismissal	343	
Actuarial Loss/(gain)	37,929	14,016
Effect of inclusion of subsidiary in consolidation	1,648	
Defined benefit obligation at the end of the period	222,643	166,068

In addition to the employee termination benefits, the Parent Bank and consolidated Group companies also allocate provision for the unused vacation pay. Provision for unused vacation pay as of 31 December 2010 stands at TL 22,018 (31 December 2009: TL 17,738).

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 2010, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 13,910 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 151,906 provision (31 December 2009: TL 190,805) 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 provided in total in accordance with the precautionary principle.

e.2. Liabilities arising from retirement benefits:

Within the scope of the explanations given in Part Three Note XX, in the actuarial valuation which was made as of 31 December 2010 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 1,318,245. Additional provision was set aside for the TL 22,260 difference between the Parent Bank's TL 1,295,985 provision set aside for the related pension fund until the current period and the technical deficit amount that has been newly determined. As a result of the actuarial valuation of Milli Reasürans T.A.Ş., besides the Parent Bank, as of 31 December 2010, the amount of actuarial and technical deficit was determined to be TL 20,773. Additional provision was set aside for the TL 1,356 difference between the Company's TL 19,417 provision set aside for the related pension fund until the current period and the technical deficit amount that has been newly determined.

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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 2010, 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 2010, 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	-3,401,547	-2,922,287
Net Present Value of Long Term Insurance Line Premiums	1,437,212	1,254,471
Net Present Value of Total Liabilities Other Than Health	-1,964,335	-1,667,816
Net Present Value of Health Liabilities	-438,786	-398,851
Net Present Value of Health Premiums	855,484	613,297
Net Present Value of Health Liabilities	416,698	214,446
Pension Fund Assets	229,392	157,385
Amount of Actuarial and Technical Deficit	-1,318,245	-1,295,985

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	164,851	104,361
Securities Portfolio	52,569	43,975
Other	11,972	9,049
Total	229,392	157,385

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.

8. 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 235,575 as of 31 December 2010.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	235,575	186,941
Tax on Securities Income	78,353	77,149
Tax on Real Estate Income	1,603	1,253
Banking Insurance Transaction Tax	46,159	46,302
Foreign Exchange Transaction Tax	22	25
Value Added Tax Payable	1,501	1,668
Other	28,198	24,066
Total	391,411	337,404

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a.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	723	521
Social Security Premiums - Employer	770	554
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees	1,005	830
Pension Fund Membership Fees and Provisions-Employer	31	34
Unemployment Insurance - Employees	728	615
Unemployment Insurance – Employer	1,372	1,084
Other	323	203
Total	4,952	3,841

b. Information on deferred tax liabilities:

The Parent Bank and the consolidated Group companies have TL 4,812 deferred tax liability as of 31 December 2010. 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	1,351	
Provisions (1)	-2,101	
Valuation of Financial Assets	4,740	
Other	822	
Net Deferred Tax Liability	4,812	

(1)It comprises provisions set aside for employee benefits and provisions for insurance technical deficit.

The Group's movement table that is prepared by offsetting TL 820,736 deferred tax asset and TL 4,812 deferred tax liability in the consolidated financial statements is presented in Part Five footnote I.15.

9. Information on payables for assets held for sale and discontinued operations:

None.

10. Explanations on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks				
Other Domestic Institutions				
Foreign Banks				
Other Foreign Institutions		77,947		75,343
Total		77,947		75,343

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 + 2.5% and without any repayment of principal in the first five years is 15 October 2016.

11. Information on consolidated shareholders' equity:

a. Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,499,970	3,079,609
Preferred shares	30	30
Total	4,500,000	3,079,639

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:

Date of Increase	Increased Amount	Cash	Profit Reserves Subject to Increase	Capital Reserves Subject to Increase
04.01.2010	1,420,361		1,057,425	362,936

d. Capital increase through transfer from capital reserves during the current period:

Marketable Securities Revaluation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures)	Other (1)
		1,383	361,553

(1) Paid-in-Capital Inflation Adjustment

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 to the development of the Group's income on a continuously rising 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.

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h. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities	1,147,442		479,788	
Valuation Difference	1,147,442		479,788	
Foreign Exchange Differences				
Financial Assets Available for Sale	235,118	87,951	201,387	48,506
Valuation Difference	296,777	87,976	253,818	48,506
Deferred Tax Effect on Valuation	-61,659	-25	-52,431	
Foreign Exchange Differences				
Total (1)	1,382,560	87,951	681,175	48,506

(1) The minority shares are included and the related values are TL 229,032 for the current period and TL 153,631 for the prior period.

12. Explanations on Minority Shares:

	Current Period	Prior Period
Paid-in Capital	1,466,719	1,109,128
Share Premium	5,409	13,791
Marketable Securities Revaluation Reserve	229,032	153,631
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	1,179	
Legal Reserves	120,688	76,568
Statutory Reserves	25,986	19,252
Extraordinary Reserves	287,785	124,861
Other Profit Reserves	1,588	1,677
Prior Years' Profit / Loss	186,583	189,226
Current Year Profit/ Loss (1)	324,794	274,964
Period Ending Balance	2,649,763	1,963,098

(1) Difference between effective and direct share holding was TL 32,256 in the current period. (31 December 2009: TL 20,289)

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 13,428,946. The Bank has project loans commitments amounting to TL 1,028,849 which are yet to be utilized. The amount of commitment for the forward purchase of assets is TL 1,193,694 and for the forward sale of assets is TL 1,189,456.

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	211,538	151,195
Letters of Credit	3,380,888	2,775,336
Other Guarantees	372,685	387,291
Total	3,965,111	3,313,822

b.2. Definite guarantees, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Provisional Letters of Guarantee	531,378	332,779
Definite Letters of Guarantee	9,066,160	7,488,391
Advance Letters of Guarantee	2,110,965	1,507,720
Letters of Guarantee Addressed to Customs	523,800	333,680
Other Letters of Guarantee	232,601	290,076
Total	12,464,904	9,952,646

c. 1. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	178,890	343,614
With Original Maturity of 1 Year or Less	65,655	77,408
With Original Maturity More Than 1 Year	113,235	266,206
Other Non-cash Loans	16,251,125	12,922,854
Total	16,430,015	13,266,468

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c. 2. Sectoral Risk Concentration of Non-cash Loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	85,956	1.25	32,436	0.34	91,111	1.69	6,874	0.09
Farming and Stockbreeding	41,670	0.60	32,436	0.34	43,269	0.80	6,192	0.08
Forestry	42,884	0.62		0.00	46,225	0.86	461	0.01
Fishery	1,402	0.03		0.00	1,617	0.03	221	0.00
Industry	2,208,189	32.03	4,881,637	51.19	1,503,606	27.82	3,745,640	47.64
Mining and Quarrying	69,393	1.01	72,721	0.76	46,896	0.87	79,953	1.02
Manufacturing	1,614,669	23.42	3,352,725	35.16	1,152,489	21.32	2,731,432	34.74
Electricity, Gas, Water	524,127	7.60	1,456,191	15.27	304,221	5.63	934,255	11.88
Construction	783,491	11.37	1,055,496	11.07	563,510	10.43	908,438	11.56
Services	3,751,501	54.42	2,288,342	24.00	3,057,201	56.57	1,981,676	25.21
Wholesale and Retail Trade	2,410,990	34.97	1,394,454	14.62	2,013,098	37.25	1,263,285	16.07
Hotel and Restaurant Services	85,046	1.23	13,536	0.14	79,809	1.48	14,357	0.18
Transportation and Communication	231,230	3.35	360,130	3.78	246,664	4.56	256,957	3.27
Financial Institutions	667,212	9.68	268,349	2.81	422,610	7.82	198,514	2.53
Real Estate and Rental Services	163,692	2.37	174,487	1.83	126,398	2.34	182,557	2.32
Self-Employed Services	140,048	2.03	57,522	0.60	120,439	2.23	35,853	0.46
Educational Services	12,706	0.18	10,116	0.11	11,574	0.21	17,508	0.22
Health and Social Services	40,577	0.61	9,748	0.11	36,609	0.68	12,645	0.16
Others	64,355	0.93	1,278,612	13.40	189,206	3.50	1,219,206	15.51
Total	6,893,492	100.00	9,536,523	100.00	5,404,634	100.00	7,861,834	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	6,828,627	9,416,061	64,865	120,462
Letters of Guarantee	6,791,894	5,504,161	64,865	103,984
Bank Acceptances	3,922	193,620		13,996
Letters of Credit		3,378,406		2,482
Endorsements		30,582		
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	32,811	309,292		

2. Information on Derivative Financial Instruments:

Majority of the Group's derivative transactions comprise of foreign currency and interest rate swaps, forward foreign exchange trading and currency trading 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 Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39).

3. Explanations Related to Contingencies and Commitments:

Total amount of letters of guarantees, guarantees and commitments submitted by the Parent Bank pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favour of the Parent Bank stands at TL 2,888,790 and it is followed under “Other Irrevocable Commitments” account. TL 4,323,938 which is the liability of the bank regarding the checks given to customers is presented under off balance sheet commitments, as per Law nr. 3167. In case the cheques presented for payment to beneficiaries are not covered, as per the “Communiqué on Notifying and Announcing the Decisions on the Printed Form of Cheque Books, the Amounts that the Banks are Obligated to Pay the Bearers, Issuing Cheques and Prohibits for Opening Cheque Accounts”, which came into effect after being published in the Official Gazette dated 20 January 2010, the Parent Bank will be obliged to pay the uncovered amount up to TL 545 (exact amount) for the cheques printed prior to this communiqué and up to TL 655 (exact amount) for the cheques printed according to this communiqué. The Parent 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.

5. Other Issues:

With the “Communiqué Emendating the Communiqué on Uniform Code of Accounts and Prospectus”, which was published in the Official Gazette dated 11 December 2009 and nr. 27429, the TL and FC accounts of “Our Commitments for Reserve Deposit Requirements” have been removed from the Uniform Code of Accounts. It was decided that until 30 June 2010 the banks should adapt to the amendments made by the related communiqué. Within this framework, the related accounts were ceased to be used and for the comparison purposes the prior period figures in the Off-Balance Sheet Items table were amended by way of ridding the related accounts.

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)	5,351,383	829,444	6,196,102	845,986
Short-term Loans	2,130,056	150,768	2,748,358	182,096
Medium and Long-term Loans	2,974,892	678,617	3,312,621	663,808
Interest on Non-performing Loans	246,435	59	135,123	82
Premiums Received from State Resource Utilization Support Fund				

(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 (1)	104,324			
Domestic Banks	182,532	14,416	133,589	9,830
Foreign Banks	12,458	34,118	14,755	82,047
Foreign Head Offices and Branches				
Total	299,314	48,534	148,344	91,877

(1) It is the interest received on Turkish Lira Reserve Deposits restored on an average basis at the CBT and as per the provisions of the "Communiqué Emending the Communiqué on Uniform Code of Accounts and Prospectus", which was published in the Official Gazette dated 11 December 2009 and nr. 27429, it is classified under the "Interest Received from Banks" account.

1.c. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Financial Assets Held for Trading	75,112	1,865	128,664	2,802
Interest Income on Financial Assets at Fair Value through Profit and Loss				
Interest Income on Financial Assets Available for Sale	1,931,456	480,080	1,817,387	658,659
Investments Held to Maturity	1,687,078	3,056	1,034,492	2,338
Total	3,693,646	485,001	2,980,543	663,799

1.d. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	4,333	9,237

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)

2.a. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	403,615	138,039	404,075	157,560
Central Bank of Turkey	72		28	
Domestic Banks	50,301	12,831	33,909	23,625
Foreign Banks	353,242	125,208	370,138	133,935
Foreign Head Offices and Branches				
Other Institutions		83,652		205,783
Total (1)	403,615	221,691	404,075	363,343

(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	9,523	19,484

2.c. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year		
TL								
Bank Deposits	788	24,345	49,205	246	1,355			75,939
Savings Deposits	6,914	1,512,896	899,799	56,364	24,427	31,702		2,532,102
Public Sector Deposits	243	10,176	9,707	452		1,069		21,647
Commercial Deposits	2,833	205,803	237,123	8,273	1,107	79		455,218
Other Institutions Deposits	418	129,168	329,712	67,628	61	47		527,034
Deposits with 7 Days Notice								
Total	11,196	1,882,388	1,525,546	132,963	26,950	32,897		3,611,940
FC								
Foreign Currency Deposits	477	227,630	192,455	32,642	15,457	81,500		550,161
Bank Deposits	2	3,387	5,391	765	150	2,822		12,517
Deposits with 7 Days Notice								
Precious Metals Deposits								
Total	479	231,017	197,846	33,407	15,607	84,322		562,678
Grand Total	11,675	2,113,405	1,723,392	166,370	42,557	117,219		4,174,618

3. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading	6,624	4,732
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	2,556	6,489
Other	36,605	155,117
Total	45,785	166,338

4. Information on trading income/losses (Net):

	Current Period	Prior Period
Profit	56,767,408	54,124,114
Securities Trading Gains	1,771,305	589,356
Gains on Derivative Financial Instruments	2,937,723	2,286,134
Foreign Exchange Gains	52,058,380	51,248,624
Losses (-)	56,474,496	53,567,073
Securities Trading Losses	1,115,075	68,819
Losses on Derivative Financial Instruments	2,989,063	1,892,637
Foreign Exchange Losses	52,370,358	51,605,617
Trading Income/Losses (Net)	292,912	557,041

The profit amount arising from foreign currency changes related to derivative transactions stands at TL 2,423,977, the loss amount stands at TL 1,749,034 and the amount of net profit is TL 674,943 (31 December 2009 profit: TL 1,942,104, loss: TL 1,071,314).

5. Information on other operating income:

TL 2,313,627 of other operating income sources from inclusion and classification of operations of insurance and reinsurance companies; 93% 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 and associates and tangible assets and fee income received from customers on various banking services.

In prior period, operating income of insurance and reinsurance companies in this item is TL 2,284,514; 95% 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	793,747	1,493,497
Group III Loans and Receivables	592,672	1,317,170
Group IV Loans and Receivables	33,590	35,734
Group V Loans and Receivables	167,485	140,593
General Loan Provision Expenses	246,169	71,127
Provision Expenses for Potential Risks		292,000
Marketable Securities Impairment Losses	3,513	5,139
Financial Assets at Fair Value through Profit and Loss	104	130
Financial Assets Available for Sale	3,409	5,009
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity		64,796
Investment in Associates		
Subsidiaries		64,796
Jointly Controlled Entities		
Investments Held to Maturity		
Other	142,482	437,006
Total	1,185,911	2,363,565

7. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1,911,565	1,619,438
Reserve for Employee Termination Benefits	54,927	19,725
Bank Pension Fund Deficit Provisions	23,617	20,781
Impairment Losses on Tangible Assets	36,433	
Depreciation Expenses of Tangible Assets	183,680	174,178
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	51,375	47,607
Impairment Losses on Share of Participations Accounted for Using the Equity Method		
Impairment Losses on Assets to be Disposed	1,079	3,780
Depreciation Expenses of Assets to be Disposed	7,195	10,008
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		1,161
Other Operating Expenses	1,046,851	900,334
Operating Lease Expenses	117,610	104,409
Repair and Maintenance Expenses	22,668	21,789
Advertisement Expenses	165,397	125,676
Other Expenses	741,176	648,460
Loss on Sale of Assets	21,288	19,099
Other	2,333,977	2,397,148
Total	5,671,987	5,213,259

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)

On the table above, TL 1,977,806 of other operating expense includes expenses of insurance companies' operations, 14% of which is from technical provisions, 86% from paid claims.

In prior period, operating expenses of insurance and reinsurance companies in this item is TL 2,087,401; 19% of which is from technical provisions and 81% 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 5,410,570, net fee and commission income of TL 997,891 and the other operation expenses amount to TL 5,671,987.

9. Information on Provision for taxes including taxes from continuing and discontinued operations

As of 31 December 2010 the Group's total tax provision of TL 688,933 consists of current tax expense of TL 897,266 and deferred tax income of TL (208,333).

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 3,231,694.

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 2010 - 31 December 2010.

b. Any changes in estimations that might have a material effect on current and subsequent period results: No disclosure is required.

c. Net Profit / Loss of minority shares:

	Current Period	Prior Period
Net Profit / Loss of Minority Shares	292,538	254,675

d. The "Other" item under "Fees and Commissions Received" in the income statement comprises fess and commissions received from banking operations, mainly credit card operations and capital market operations, and commissions received from insurance operations.

e. Other items do not exceed 10% of the total amount of the income statement.

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 1,610,119 and the balance of extraordinary reserves is TL 4,312,543.

In the current period, the change in other reserves item is a result of the conversion losses of foreign branches and financial institutions.

The details of revaluation surplus account of securities are shared in the Note nr. V-II-11-g. TL (61,684) of this amount is the deferred tax effect on available for sale securities (31 December 2009: TL (52,431)).

VI. EXPLANATIONS AND NOTES ON THE CONSOLIDATED STATEMENT OF CASH-FLOWS

The operating profit of TL 3,466,525 before the changes in operating assets and liabilities consists of interests received at TL 9,953,186 predominantly from loans and securities, and TL 5,557,260 of interest paid predominantly on deposits, interbank money market transactions and funds borrowed by the Bank. An important part of other revenues, TL 3,810,031, 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 3,466,902 and foreign exchange losses (net), 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 (167,736) as of 31 December 2010 (31 December 2009: TL (19,468)).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, interbank money market transactions and time deposits up to 3 months are defined as cash and cash equivalents.

Cash and cash equivalents at beginning of period:

	31.12.2009	31.12.2008
Cash	6,979,667	9,981,714
Cash in TL and Foreign Currency	786,502	595,574
Central Bank of Turkey and Other	6,193,165	9,386,140
Cash Equivalents	8,022,885	5,475,933
Money Market Placements		24,187
Banks' Demand Deposits and Time Deposits Up to 3 Months	8,022,885	5,451,746
Total Cash and Cash Equivalents	15,002,552	15,457,647

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:

	31.12.2010	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
Money Market Placements	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

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	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. 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	43,453	1,067,977	1	141,768	468,129	111,034
Balance at the end of the period	48,578	1,498,801		10	658,037	102,675
Interest and commission income received	2,910	901			41,054	1,313

c.1. 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	349,909	347,729	237,295	152,957	898,213	379,210
Balance at the end of the period	250,067	349,909	840,520	237,295	1,197,039	898,213
Interest expense on deposits	9,523	17,432	37,588	12,112	32,284	28,794

c.2. 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		3,581				
Total Profit/ Loss		-2,676				
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 0.67%, while the ratio to the overall assets is 0.31%; the ratio of deposits of the risk group corporations to the overall deposits is 2.59%, while the ratio to overall liabilities is 1.52%. 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 37 mutual funds, which were founded by the Parent Bank, 20 of them are managed by İş Portföy Yönetimi A.Ş. and 17 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 13,740 (31 December 2009: TL 14,074).

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(*)	1,127	23,750			
			Country of Incorporation		
Foreign Representative Offices	1	1	China		
	1	1	Egypt		
				Total Assets	Legal Capital
Foreign Branches	1	29	England	2,630,410	240
	13	154	TRNC	733,951	30,522
Off-Shore Branches	1	9	Bahrain	21,878,722	

(*)The Branches located in Free Trade Zones in Turkey are included among domestic branches.

İşbank GmbH

	Number	Employees			
Domestic Branches(*)	12	161			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	Legal Capital
Foreign Branches	1	9	The Netherlands	306,399	
	1	9	France	27,114	
	1	6	Switzerland	11,544	
Off-Shore Branches					

(*) Germany is meant by the term "domestic".

Türkiye Sınai Kalkınma Bankası A.Ş.

	Number	Employees			
Domestic Branches	2	345			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	Legal Capital
Foreign Branches					
Off-Shore Branches	1	2	Bahrain	129,794	

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)

Milli Reasürans T.A.Ş.

	Number	Employees		Total Assets	Legal Capital
Domestic Branches	1	218			
			Country of Incorporation		
Foreign Representative Offices					
Foreign Branches					
Off-Shore Branches	1	9	Singapore	54,023	20,098

Maxi Securities Ltd. Şti., one of the financial subsidiaries abroad, operates in England and has 18 employees. The information on the Company's financial structure is given in Part Five footnote I.8.b.1.

Number of employees of consolidated companies that does not have agencies and branches abroad:

	Employees
Anadolu Anonim Türk Sigorta Şirketi	848
Anadolu Hayat Emeklilik A.Ş.	676
Camiş Menkul Değerler A.Ş.	48
İş Factoring Finansman Hizmetleri A.Ş.	26
İş Finansal Kiralama A.Ş.	95
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	36
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	13
İş Portföy Yönetimi A.Ş.	48
İş Yatırım Menkul Değerler A.Ş.	383
İş Yatırım Ortaklığı A.Ş.	5
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	10
TSKB Yatırım Ortaklığı A.Ş.	3
Yatırım Finansman Menkul Değerler A.Ş.	133

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 credit quality 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 has good credit quality.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB-	Positive	At investment level. Shows good credit quality. It is one notch above the country rating.
Long-term Local Currency Issuer Default Rating	BBB-	Positive	At investment level. Shows good credit quality. 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).
Individual Rating	C	-	Indicates that the Bank's stand-alone financial strength is 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 very strong. It is the highest rating in this category and
Short-term National Scale Rating	trA-1	-	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: 07 October 2010, Fitch Ratings: 1 December 2010, 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	Ba3	Positive (*)
Short-term Foreign Currency Deposit	NP	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BB+	Positive (**)
Long-term Local Currency Issuer Default Rating	BB+	Positive (**)
Short-term Foreign Currency Issuer Default Rating	B	-
Short-term Local Currency Issuer Default Rating	B	-
National Long-term Rating	Aa+ (tur)	Stable
Individual Rating	C/D	-
Support Rating	3	-

The dates below given are on which the TSKB's credit ratings were last updated:

Moody's: 08 January 2010, Fitch Ratings: 1 December 2010

(*) Moody's Investors Service, Inc. disclosed in its report dated 8 October 2010 that the outlook on TSKB's BA3 Long-term Foreign Currency Deposit rating was changed to "Positive" from "Stable".

(**) In its report dated 1 December 2010, Fitch Ratings disclosed that it has changed the "Stable" outlook on TSKB's BB+ long-term local currency and foreign currency issuer default ratings to "Positive" and affirmed all the other ratings and outlooks of the Bank.

II. Issues which Occurred After the Date of the Balance Sheet

1. Within the framework of the resolution of the Parent Bank's Board of Directors dated 8 September 2010 on the issuance of USD bonds for further selling them to individuals and corporate that are resident outside Turkey, the bonds have been registered on 4 November 2010 by the Capital Markets Board upon the application made. Within this context, underwriting contract was signed on 27 January 2011 and demands were collected from investors and bonds were issued with a nominal amount of USD 500 million. The 5 year-term bonds with 5.1% coupon interest rate and with the redemption date as 1 February 2016, had 5.3% earnings yield.

2. On 30 November 2010, the Bank's Board of Directors made a resolution on the domestic issuance of TL denominated banking bills and/or bonds up to TL 5 billion with different maturities. Upon the applications made within this context, the Banking Regulation and Supervision Agency notified the Parent Bank of its approval and the related bills and/or bonds have been registered by the Capital Markets Board. Following these developments, on 28 January 2011 the Bank's Board of Directors made a resolution on the issuance of banking bills with a nominal value of TL 500 million and banking bonds with a nominal value of TL 600 million by way of public offering. The issuing operations were completed by the end of the demand collection process on 2-3-4 February 2011 and the related bills and bonds, whose redemption dates are 3 August 2011 and 7 March 2012, respectively, had earnings yields at 7.5% and 8.43%.

PART SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT:

The Parent Bank's consolidated year end financial statements and footnotes to be disclosed to public as of 31 December 2010 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 it was noted in their report dated 14 February 2011 that except for the effect of the matter described in the fourth paragraph on the independent auditors' report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Parent Bank as of 31 December 2010 and the result of its operations.

II. EXPLANATIONS AND NOTES 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.

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**UNAUDITED BRSA FINANCIAL STATEMENTS OF THE BANK FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2012 (INCLUDING NUMBERS FOR THE CORRESPONDING PERIOD IN 2011)**

(Convenience Translation of Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)

Türkiye İş Bankası Anonim Şirketi

Unconsolidated Interim Financial Statements

As at and For the Six-month Period Ended 30 June 2012

With Independent Auditors' Review Report Thereon

(Convenience Translation of Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

8 August 2012

This report includes "Independent Auditors' Review Report" comprising 1 page and; "Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes" comprising 66 pages.



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

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**Convenience Translation of the Independent Auditors' Review Report
Originally Prepared and Issued in Turkish (See Note I in Section Three)**

To the Board of Directors of Türkiye İş Bankası Anonim Şirketi;

We have reviewed the unconsolidated balance sheet of Türkiye İş Bankası Anonim Şirketi ("the Bank") as at 30 June 2012 and the related unconsolidated interim statements of income, changes in equity and cash flows for the six-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors, is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with the uniform chart of accounts, accounting and audit standards in conformity with the (Turkish) Banking Law No 5411. These standards require that we plan and perform the review to obtain reasonable assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

The accompanying unconsolidated interim financial statements as at 30 June 2012 included 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.

Based on our review, except for the effect on the unconsolidated interim financial statements of the matter described in the third paragraph above, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial statements do not present fairly the financial position of Türkiye İş Bankası Anonim Şirketi as at 30 June 2012, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and circulars on accounting and financial reporting principles issued by the Banking Regulation and Supervision Board and explanations by Banking Regulation and Supervision Agency.

İstanbul
8 August 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 Section Three, the accompanying unconsolidated interim 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 INTERIM FINANCIAL REPORT
AS AT AND FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2012

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The unconsolidated interim financial report as at and for the six-month period ended 30 June 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 INTERIM 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 INTERIM FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS’ REVIEW REPORT

The unconsolidated interim financial statements and related disclosures and footnotes that were subject to limited review, 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 interim financial report is presented in thousands of Turkish Lira (TL), and has been subjected to limited review.

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

Aziz Ferit Eraslan
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:

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TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(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, 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 at 30 June 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.

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:

<u>Name and Surname</u>	<u>Areas of Responsibility</u>
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Fusun 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:

<u>Name and Surname</u>	<u>Administrative Position</u>
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 ⁽¹⁾
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

⁽¹⁾ 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.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

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)	1,832,623	40.73%	1,832,623	
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.

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION TWO: UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS

I. BALANCE SHEET - (STATEMENT OF FINANCIAL POSITION) - ASSETS

		Footnotes	THOUSANDS TL					
			CURRENT PERIOD (30/06/2012)			PRIOR PERIOD (31/12/2011)		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	2,818,221	10,516,632	13,334,853	5,064,102	8,672,803	13,736,905
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	V-I-2	752,178	531,500	1,283,678	678,902	897,109	1,576,011
2.1	Financial Assets Held for Trading		752,178	531,500	1,283,678	678,902	897,109	1,576,011
2.1.1	Government Debt Securities		594,341	4,855	599,196	649,674	8,809	658,483
2.1.2	Equity Securities		75	-	75	54	-	54
2.1.3	Derivative Financial Assets Held for Trading		156,802	526,645	683,447	28,234	888,300	916,534
2.1.4	Other Marketable Securities		960	-	960	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-3	85,468	2,046,647	2,132,115	240,095	2,014,241	2,254,336
IV.	MONEY MARKET PLACEMENTS		10,026	-	10,026	-	43,141	43,141
4.1	Interbank Money Market Placements		-	-	-	-	43,141	43,141
4.2	Istanbul Stock Exchange Money Market Placements		10,026	-	10,026	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	V-I-4	20,868,502	7,140,515	28,009,017	18,349,691	10,303,157	28,652,848
5.1	Equity Securities		13,622	-	13,622	13,622	-	13,622
5.2	Government Debt Securities		20,847,810	5,346,173	26,193,983	18,336,069	7,705,475	26,041,544
5.3	Other Marketable Securities		7,070	1,794,342	1,801,412	-	2,597,682	2,597,682
VI.	LOANS AND RECEIVABLES	V-I-5	66,253,121	31,968,527	98,221,648	58,803,727	32,816,911	91,620,638
6.1	Loans and Receivables		66,253,121	31,968,527	98,221,648	58,803,727	32,816,911	91,620,638
6.1.1	Loans to the Bank's Risk Group		537,134	667,011	1,204,145	413,754	1,017,738	1,431,492
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		65,715,987	31,301,516	97,017,503	58,389,973	31,799,173	90,189,146
6.2	Non-Performing Loans		1,888,145	51,507	1,939,652	1,932,549	51,371	1,983,920
6.3	Specific Provisions (-)		1,888,145	51,507	1,939,652	1,932,549	51,371	1,983,920
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	V-I-6	11,771,434	8,199	11,779,633	13,451,894	13,808	13,465,702
8.1	Government Debt Securities		11,764,535	-	11,764,535	13,444,975	-	13,444,975
8.2	Other Marketable Securities		6,899	8,199	15,098	6,919	13,808	20,727
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	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-8	6,025,248	211,210	6,236,458	5,327,210	203,892	5,531,102
10.1	Unconsolidated Financial Subsidiaries		2,720,775	211,210	2,931,985	2,165,571	203,892	2,369,463
10.2	Unconsolidated Non-Financial Subsidiaries		3,304,473	-	3,304,473	3,161,639	-	3,161,639
XI.	JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	V-I-9	-	-	-	-	-	-
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-10	-	-	-	-	-	-
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-11	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		1,793,776	2,657	1,796,433	1,856,865	2,969	1,859,834
XV.	INTANGIBLE ASSETS (Net)		66,391	-	66,391	63,677	-	63,677
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		66,391	-	66,391	63,677	-	63,677
XVI.	INVESTMENT PROPERTY (Net)	V-I-12	-	-	-	-	-	-
XVII.	TAX ASSETS	V-I-13	543,323	-	543,323	488,613	-	488,613
17.1	Current Tax Asset		-	-	-	-	-	-
17.2	Deferred Tax Asset		543,323	-	543,323	488,613	-	488,613
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-14	63,980	-	63,980	59,803	-	59,803
18.1	Held for Sale		63,980	-	63,980	59,803	-	59,803
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	V-I-15	825,599	560,939	1,386,538	878,741	693,238	1,571,979
	TOTAL ASSETS		112,621,182	52,986,826	165,608,008	106,007,235	55,661,269	161,668,504

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

II. BALANCE SHEET – (STATEMENT OF FINANCIAL POSITION) – LIABILITIES AND EQUITY

		Footnotes	THOUSANDS TL					
			CURRENT PERIOD (30/06/2012)			PRIOR PERIOD (31/12/2011)		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	58,018,502	41,414,068	99,432,570	60,332,494	37,980,640	98,313,134
1.1	Deposits from the Bank's Risk Group		1,708,721	1,966,180	3,674,901	1,683,222	2,022,460	3,705,682
1.2	Other		56,309,781	39,447,888	95,757,669	58,649,272	35,958,180	94,607,452
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-2	297,221	346,562	643,783	457,587	400,295	857,882
III.	FUNDS BORROWED	V-II-3	732,381	10,611,225	11,343,606	210,689	10,937,519	11,148,208
IV.	MONEY MARKET FUNDS		14,186,032	4,043,749	18,229,781	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		14,186,032	4,043,749	18,229,781	13,591,180	5,869,890	19,461,070
V.	MARKETABLE SECURITIES ISSUED (Net)	V-II-4	4,255,295	913,148	5,168,443	2,828,447	952,974	3,781,421
5.1	Bills		3,172,974	-	3,172,974	1,809,005	-	1,809,005
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		1,082,321	913,148	1,995,469	1,019,442	952,974	1,972,416
VI.	FUNDS		-	-	-	-	-	-
6.1	Funds Borrowed		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		3,447,654	252,567	3,700,221	2,897,232	443,718	3,340,950
VIII.	OTHER LIABILITIES	V-II-5	490,116	1,751,798	2,241,914	810,269	1,452,412	2,262,681
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	V-II-6	-	-	-	-	5	5
10.1	Finance Lease Payables		-	1	1	-	12	12
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	1	1	-	7	7
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-7	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XII.	PROVISIONS	V-II-8	4,584,454	20,945	4,605,399	4,179,358	25,568	4,204,926
12.1	General Loan Loss Provision		1,431,017	-	1,431,017	1,245,245	-	1,245,245
12.2	Provision for Restructuring		-	-	-	-	-	-
12.3	Reserves for Employee Benefits		280,509	-	280,509	256,463	-	256,463
12.4	Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5	Other Provisions		2,872,928	20,945	2,893,873	2,677,650	25,568	2,703,218
XIII.	TAX LIABILITY	V-II-9	481,326	226	481,552	376,663	200	376,863
13.1	Current Tax Liability		481,326	226	481,552	376,663	200	376,863
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED DEBT		-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY	V-II-10	19,454,882	305,857	19,760,739	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		3,734,928	305,857	4,040,785	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		2,088,604	305,857	2,394,461	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		9,558,904	-	9,558,904	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		(12,277)	-	(12,277)	89,767	-	89,767
16.4	Profit or Loss		1,661,050	-	1,661,050	2,667,487	-	2,667,487
16.4.1	Prior Years' Profit/Loss		-	-	-	-	-	-
16.4.2	Current Period Profit/Loss		1,661,050	-	1,661,050	2,667,487	-	2,667,487
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		105,947,863	59,660,145	165,608,008	103,467,782	58,200,722	161,668,504

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

III. OFF-BALANCE SHEET ITEMS

	Footnotes	THOUSANDS TL					
		CURRENT PERIOD (30/06/2012)			PRIOR PERIOD (31/12/2011)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	V-III	160,696,953	77,103,234	237,800,187	142,469,635	72,186,093	214,655,728
I. GUARANTEES AND SURETYSHIPS		11,362,479	17,339,602	28,702,081	9,940,271	15,909,734	25,850,005
1.1.Letters of Guarantee		11,329,010	10,034,561	21,363,571	9,916,048	9,265,286	19,181,334
1.1.1.Guarantees Subject to State Tender Law		769,959	2,533,397	3,303,356	559,333	2,315,888	2,875,221
1.1.2.Guarantees Given for Foreign Trade Operations		1,072,422	2,195,653	3,268,075	935,015	1,817,872	2,752,887
1.1.3.Other Letters of Guarantee		9,486,629	5,305,511	14,792,140	8,421,700	5,131,526	13,553,226
1.2.Bank Acceptances		12,647	556,040	568,687	3,628	493,494	497,122
1.2.1.Import Letters of Acceptance		-	116,102	116,102	-	120,310	120,310
1.2.2.Other Bank Acceptances		12,647	439,938	452,585	3,628	373,184	376,812
1.3.Letters of Credit		-	5,405,941	5,405,941	-	5,170,468	5,170,468
1.3.1.Documentary Letters of Credit		-	3,816,723	3,816,723	-	3,723,602	3,723,602
1.3.2.Other Letters of Credit		-	1,589,218	1,589,218	-	1,446,866	1,446,866
1.4.Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.Endorsements		-	829,667	829,667	-	375,869	375,869
1.5.1.Endorsements to the Central Bank of Turkey		-	829,667	829,667	-	375,869	375,869
1.5.2.Other Endorsements		-	-	-	-	-	-
1.6.Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7.Factoring Guarantees		-	-	-	-	-	-
1.8.Other Guarantees		20,822	513,393	534,215	20,595	604,617	625,212
1.9.Other Suretyships		-	-	-	-	-	-
II. COMMITMENTS		124,225,790	9,074,500	133,300,290	115,399,439	8,951,920	124,351,359
2.1.Irrevocable Commitments		27,688,139	9,055,835	36,743,974	24,623,465	8,742,236	33,365,701
2.1.1.Forward Asset Purchase Commitments		9,101	1,554,954	1,564,055	225,532	927,438	1,152,970
2.1.2.Forward Deposit Purchase and Sale Commitments		-	55,246	55,246	-	-	-
2.1.3.Capital Commitment for Associates and Subsidiaries		1,000	66,660	67,660	22,560	-	22,560
2.1.4.Loan Granting Commitments		5,632,139	3,849,452	9,481,591	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		6,267,886	-	6,267,886	4,914,758	-	4,914,758
2.1.8.Tax and Fund Liabilities from Export Commitments		11,393	-	11,393	10,283	-	10,283
2.1.9.Commitments for Credit Card Expenditure Limits		14,465,266	-	14,465,266	13,172,835	-	13,172,835
2.1.10. Commitments for Credit Cards and Banking Services Promotions		66,600	-	66,600	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		1,234,754	3,529,523	4,764,277	1,141,985	3,422,178	4,564,163
2.2.Revocable Commitments		96,537,651	18,665	96,556,316	90,775,974	209,684	90,985,658
2.2.1.Revocable Loan Granting Commitments		96,537,651	18,665	96,556,316	90,775,974	209,684	90,985,658
2.2.2.Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		25,108,684	50,689,132	75,797,816	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		25,108,684	50,689,132	75,797,816	17,129,925	47,324,439	64,454,364
3.2.1.Forward Foreign Currency Buy/Sell Transactions		6,746,026	7,415,146	14,161,172	5,151,775	10,943,954	16,095,729
3.2.1.1. Forward Foreign Currency Buy Transactions		4,398,490	2,727,751	7,126,241	4,245,128	3,804,573	8,049,701
3.2.1.2. Forward Foreign Currency Sell Transactions		2,347,536	4,687,395	7,034,931	906,647	7,139,381	8,046,028
3.2.2. Currency and Interest Rate Swaps		16,718,675	35,891,028	52,609,703	10,810,872	29,472,744	40,283,616
3.2.2.1. Currency Swap Buy Transactions		1,994,850	11,715,463	13,710,313	756,791	7,465,220	8,222,011
3.2.2.2. Currency Swap Sell Transactions		7,515,825	6,429,879	13,945,704	3,734,081	4,596,002	8,330,083
3.2.2.3. Interest Rate Swap Buy Transactions		3,604,000	8,872,843	12,476,843	3,160,000	8,705,761	11,865,761
3.2.2.4. Interest Rate Swap Sell Transactions		3,604,000	8,872,843	12,476,843	3,160,000	8,705,761	11,865,761
3.2.3. Currency, Interest Rate and Security Options		1,641,783	6,171,696	7,813,479	1,167,278	6,140,040	7,307,318
3.2.3.1. Currency Call Options		891,443	811,376	1,702,819	583,639	793,540	1,377,179
3.2.3.2. Currency Put Options		630,340	1,063,376	1,693,716	583,639	793,540	1,377,179
3.2.3.3. Interest Rate Call Options		60,000	2,148,472	2,208,472	-	2,276,480	2,276,480
3.2.3.4. Interest Rate Put Options		60,000	2,148,472	2,208,472	-	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	1,211,262	1,213,462	-	767,701	767,701

TÜRKİYE İŞ BANKASI AŞ*(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)***III. OFF-BALANCE SHEET ITEMS (continued)**

	Footnotes	THOUSANDS TL					
		CURRENT PERIOD (30/06/2012)			PRIOR PERIOD (31/12/2011)		
		TL	FC	Total	TL	FC	Total
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	V-III	150,992,102	39,999,701	190,991,803	136,572,691	38,312,322	174,885,013
IV. ITEMS HELD IN CUSTODY		47,023,502	7,194,627	54,218,129	43,979,161	7,494,506	51,473,667
4.1. Customers' securities held		-	-	-	-	-	-
4.2. Investment securities held in custody		31,381,734	37,746	31,419,480	30,375,664	40,325	30,415,989
4.3. Cheques received for collection		12,432,064	2,213,224	14,645,288	10,744,157	2,038,360	12,782,517
4.4. Commercial notes received for collection		1,966,419	2,878,081	4,844,500	1,667,021	2,889,767	4,556,788
4.5. Other assets received for collection		4,738	31,618	36,356	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		1,235,382	2,033,958	3,269,340	1,185,673	2,490,430	3,676,103
4.8. Custodians		624	-	624	624	-	624
V. PLEDGED ITEMS		103,968,600	32,805,074	136,773,674	92,593,530	30,817,816	123,411,346
5.1. Marketable securities		2,004,734	-	2,004,734	1,898,746	-	1,898,746
5.2. Guarantee notes		4,108,946	5,153,339	9,262,285	3,631,238	5,374,958	9,006,196
5.3. Commodity		26,541,062	1,703,241	28,244,303	23,095,518	1,271,742	24,367,260
5.4. Warranty		-	-	-	-	-	-
5.5. Real Estates		69,304,246	25,779,376	95,083,622	62,456,531	23,976,196	86,432,727
5.6. Other pledged items		2,009,612	131,039	2,140,651	1,511,497	137,099	1,648,596
5.7. Pledged items-depository		-	38,079	38,079	-	57,821	57,821
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		311,689,055	117,102,935	428,791,990	279,042,326	110,498,415	389,540,741

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IV. INCOME STATEMENT

		Footnotes	THOUSANDS TL			
			CURRENT PERIOD (01/01-30/06/2012)	PRIOR PERIOD (01/01-30/06/2011)	CURRENT PERIOD (01/04-30/06/2012)	PRIOR PERIOD (01/04-30/06/2011)
I.	INTEREST INCOME	V-IV-1	6,668,871	5,031,049	3,378,135	2,595,389
1.1	Interest Income on Loans		4,674,443	3,190,358	2,384,984	1,654,908
1.2	Interest Income on Reserve Deposits		-	-	-	-
1.3	Interest Income on Banks		6,838	8,462	3,190	3,957
1.4	Interest Income on Money Market Placements		213	10	79	6
1.5	Interest Income on Marketable Securities Portfolio		1,964,196	1,819,169	979,763	930,951
1.5.1	Financial Assets Held for Trading		36,984	15,898	14,039	12,817
1.5.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-
1.5.3	Financial Assets Available for Sale		1,081,470	986,067	559,309	492,916
1.5.4	Held to Maturity Investments		845,742	817,204	406,415	425,218
1.6	Finance Lease Income		-	-	-	-
1.7	Other Interest Income		23,181	13,050	10,119	5,567
II.	INTEREST EXPENSE	V-IV-2	3,928,306	2,836,332	1,949,382	1,519,139
2.1	Interest on Deposits		2,799,834	2,352,148	1,361,494	1,209,084
2.2	Interest on Funds Borrowed		102,024	95,855	48,098	55,857
2.3	Interest on Money Market Funds		796,950	311,905	418,286	201,335
2.4	Interest on Securities Issued		190,685	64,739	108,031	46,937
2.5	Other Interest Expense		38,813	11,685	13,473	5,926
III.	NET INTEREST INCOME / EXPENSE (I - II)		2,740,565	2,194,717	1,428,753	1,076,250
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSE		799,384	667,578	429,259	363,546
4.1	Fees and Commissions Received		904,924	743,390	482,967	401,187
4.1.1	Non-cash Loans		86,718	59,758	45,599	29,941
4.1.2	Other		818,206	683,632	437,368	371,246
4.2	Fees and Commissions Paid		105,540	75,812	53,708	37,641
4.2.1	Non-cash Loans		505	417	297	207
4.2.2	Other		105,035	75,395	53,411	37,434
V.	DIVIDEND INCOME		417,703	555,645	323,043	455,751
VI.	TRADING INCOME / LOSS (NET)	V-IV-3	275,258	69,444	193,654	(29,415)
6.1	Gains/Losses on Securities Trading		191,523	9,081	137,548	(2,942)
6.2	Derivative Financial Transactions Gains/Losses		(270,767)	370,384	(182,706)	110,301
6.3	Foreign Exchange Gains/Losses		354,502	(310,021)	238,812	(136,774)
VII.	OTHER OPERATING INCOME	V-IV-4	542,043	621,713	274,212	288,801
VIII.	TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)		4,774,953	4,109,097	2,648,921	2,154,933
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5	867,654	622,924	482,087	297,043
X.	OTHER OPERATING EXPENSES (-)	V-IV-6	1,881,018	1,721,961	1,031,355	928,369
XI.	NET OPERATING INCOME (VIII-IX-X)		2,026,281	1,764,212	1,135,479	929,521
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)		2,026,281	1,764,212	1,135,479	929,521
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)		365,231	288,286	182,677	120,852
16.1	Current Tax Provision		479,181	56,315	274,383	54,834
16.2	Deferred Tax Provision		(113,950)	231,971	(91,706)	66,018
XVII.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-7	1,661,050	1,475,926	952,802	808,669
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-8	1,661,050	1,475,926	952,802	808,669
	Earnings Per Share (in full TL)		0.014764594	0.01311908	0.008469182	0.007188025

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

V. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	THOUSANDS TL	
	CURRENT PERIOD (30/06/2012)	PRIOR PERIOD (30/06/2011)
I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	569,219	(364,350)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	(102,044)	30,887
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	404,026	630,920
IX. DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	(59,240)	60,644
X. NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	811,961	358,101
XI. PROFIT/LOSS FOR THE PERIOD	1,661,050	1,475,926
11.1 Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	16,505	38,831
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	1,644,545	1,437,095
XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X+XI)	2,473,011	1,834,027

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

VI. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

PRIOR PERIOD (30/06/2011)	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		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																	
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									30,887								30,887
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										1,475,926	(2,982,210)						1,475,926
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																	
XX. Profit Distribution																	
20.1. Dividend Paid								1,949,470			(830,652)						1,949,470
20.2. Transfer to Reserves								1,949,470			(2,151,558)						1,949,470
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	15,171	1,475,926		2,842,428		26,692			18,017,179

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

VI. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

CURRENT PERIOD (30/06/2012)	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												914,005					914,005
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																	
IX. The Effect of Disposal of Assets									(102,044)								(102,044)
X. The Effect of Reclassification of Assets																	
XI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank										1,661,050	(2,667,487)						1,661,050
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						169,931		1,863,920		1,661,050	(2,667,487)						1,661,050
XVIII. Profit Distribution																	
18.1. Dividend Paid																	
18.2. Transfer to Reserves						169,931		1,863,920			(635,656)						(635,656)
18.3. Other											(2,035,851)						(633,656)
Ending Balance (I+II+III...+XVI+XVII+XVIII)		4,500,000	1,615,938	3,694		1,816,495		7,754,686	(12,277)	1,661,050		2,394,461		26,692			19,760,739

TÜRKİYE İŞ BANKASI AŞ

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

VII. STATEMENT OF CASH FLOWS

	THOUSANDS TL		
	Footnotes	CURRENT PERIOD (01/01 - 30/06/2012)	PRIOR PERIOD (01/01 - 30/06/2011)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1. Operating Profit Before Changes in Operating Assets and Liabilities		7,273,714	2,103,001
1.1.1. Interest Received		6,724,244	4,960,426
1.1.2. Interest Paid		(3,782,674)	(2,616,253)
1.1.3. Dividend Received		145,842	134,198
1.1.4. Fees and Commissions Received		904,924	743,390
1.1.5. Other Income		404,530	93,555
1.1.6. Collections from Previously Written Off Loans and Other Receivables		270,748	439,714
1.1.7. Cash Payments to Personnel and Service Suppliers		(1,570,269)	(1,430,405)
1.1.8. Taxes Paid		(419,689)	(247,924)
1.1.9. Other		4,596,058	26,300
1.2. Changes in Operating Assets and Liabilities		(12,406,953)	(3,229,624)
1.2.1. Net (Increase) Decrease in Financial Assets Held for Trading		67,981	17,837
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		(1,793,285)	(628,981)
1.2.4. Net (Increase) Decrease in Loans		(8,754,740)	(11,173,116)
1.2.5. Net (Increase) Decrease in Other Assets		251,885	(316,760)
1.2.6. Net Increase (Decrease) in Bank Deposits		436,325	(788,353)
1.2.7. Net Increase (Decrease) in Other Deposits		(1,113,597)	469,563
1.2.8. Net Increase (Decrease) in Funds Borrowed		(377,903)	419,622
1.2.9. Net Increase (Decrease) in Matured Payables		-	-
1.2.10. Net Increase (Decrease) in Other Liabilities		(1,123,619)	8,770,564
I. Net Cash Provided From Banking Operations		(5,133,239)	(1,126,623)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / Used in Investing Activities		2,358,136	3,168,187
2.1. Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(29,468)	(164,670)
2.2. Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
2.3. Tangible Asset Purchases		(78,301)	(124,419)
2.4. Tangible Asset Sales		131,916	134,603
2.5. Cash Paid for Purchase of Financial Assets Available for Sale		(8,662,262)	(9,210,300)
2.6. Cash Obtained from Sales of Financial Assets Available for Sale		9,585,384	12,054,126
2.7. Cash Paid for Purchase of Investment Securities Held to Maturity		(14,611)	(13,925)
2.8. Cash Obtained from Sales of Investment Securities Held to Maturity		1,457,875	492,772
2.9. Other		(32,397)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / Used in Financing Activities		632,067	2,606,125
3.1. Cash Obtained from Funds Borrowed and Securities Issued		3,715,715	3,438,486
3.2. Cash Used for Repayment of Funds Borrowed and Securities Issued		(2,450,000)	-
3.3. Equity Instruments		-	-
3.4. Dividends Paid		(633,636)	(830,652)
3.5. Payments for Finance Leases		(12)	(1,709)
3.6. Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(205,769)	290,860
V. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)		(2,348,805)	4,938,549
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)		6,750,518	13,716,587

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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 interim financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying interim financial statements. Accordingly, the accompanying interim 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. 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.

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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. Investments in 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.

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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 booked 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 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 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. Explanations on Financial Assets Available for Sale and Held to Maturity Investments

b.1. Explanations 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.

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b.2. Explanations 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. Specific provision is allocated for the total amount of non-performing loans and other receivables, 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.

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.

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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.

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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 are 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.

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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, and that the three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However, 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. 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 numbered 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 at 31 December 2011. 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 16 January 2012 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-8.

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“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, members retired or died before January 2000 and entitled pension per indexed system of the Law numbered 506, pension payments of pensioners should be recalculated as at 1 January 2012.

The Bank started assessment process in order to determine possible liability imposed by pensioners of the Bank pension funds covered by the aforementioned amendment

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 first six months of the year 2012 will be paid in August 2012 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 higher than the corporate tax payable, the difference is deducted from income tax payable.

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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 1,500,000 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. 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 to 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	1,661,050	1,475,926
Weighted average number of share certificates ('000)	112,502,250	112,502,250
Earnings per share – in exact TL	0.014764594	0.01311908

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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 VI.

XXIV. Other Disclosures

None.

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SECTION FOUR: INFORMATION ON THE FINANCIAL POSITION OF THE BANK

I. Explanations on Capital Adequacy Standard Ratio

The Bank's unconsolidated capital adequacy ratio is 14.21%.

The capital adequacy 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)	29,284,881		2,456,888	19,277,536	78,670,455	2,075,283	4,840,055
Cash	1,274,384		221				
Securities in Redemption							
Balances with the Central Bank of Turkey	3,490,120						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches			1,834,879		294,385		
Interbank Money Market Placements	10,000						
Receivables from Reverse Repurchase Transactions							
Reserve Deposits	8,570,128						
Loans	3,122,399		267,879	18,959,843	67,807,613	2,075,283	4,840,055
Non-performing Loans (Net)							
Finance Lease Receivables							
Financial Assets Available for Sale							
Held to Maturity Investments	10,209,339				15,036		
Receivables From the Asset Sale on Credit Terms					55		
Miscellaneous Receivables					1,034,855		
Interest and Income Accruals	1,591,029		105,977	317,693	773,744		
Subsidiaries, Associates and Jointly-Controlled Entities (Net)					6,980,373		
Tangible Assets					1,678,131		
Other Assets	1,017,482		247,932		86,263		
Off Balance Sheet Items	187,843		3,073,615	784,730	24,233,209		
Non-cash Loans and Commitments	187,843		1,994,902	784,730	23,882,736		
Derivative Financial Instruments			1,078,713		350,473		
Non- Risk Weighted Accounts							
Total Risk Weighted Assets	29,472,724		5,530,503	20,062,266	102,903,664	2,075,283	4,840,055

Summary information about the bank only standard capital adequacy ratio:

	Current Period	Prior Period
Value at Credit Risk (VaCR)	126,833,932	115,415,085
Value at Market Risk (VaMR)	5,846,325	5,773,788
Value at Operational Risk (VaOR)	11,955,641	11,275,425
Equity	20,546,272	18,631,132
Equity/ (VaCR+VaMR+VaOR)*100	14.21	14.07

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Information about the components of 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	1,816,495	1,646,564
I. Legal Reserve (Turkish Commercial Code 466/1)	1,480,191	1,351,124
II. Legal Reserve (Turkish Commercial Code 466/2)	336,304	295,440
Reserves Allocated Per Special Legislation		
Statutory Reserves		
Other Profit Reserves	(12,277)	89,767
Extraordinary Reserves	7,509,028	5,731,242
Reserves Allocated as per the Decision Held by General Assembly	6,000,238	5,298,144
Retained Earnings	1,508,790	433,098
Accumulated Loss		
Exchange Rate Difference on Foreign Currency Share Capital		
Inflation Adjustments of Legal, Statutory and Extraordinary Reserves		
Profit	1,661,050	2,667,487
Net Current Period's Profit	1,661,050	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	245,658	159,524
Primary Subordinated Debt (up to 15% of the Core Capital)		
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	113,129	117,892
Intangible Assets (-)	66,391	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	18,160,066	17,182,647
SUPPLEMENTARY CAPITAL (TIER II)		
General Loan Loss Provision	1,431,017	1,245,245
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 Debt Excluding the Portion included in the Core Capital		
Secondary Subordinated Debt		
45% of Marketable Securities Value Increase Fund ⁽¹⁾	1,053,168	453,973
Associates and Subsidiaries	959,786	777,974
Financial Assets Available for Sale	93,382	(324,001)
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	2,510,877	1,725,910

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TIER III CAPITAL		
CAPITAL	20,670,943	18,908,557
DEDUCTIONS FROM THE CAPITAL	124,671	277,425
Unconsolidated Investments in Entities (Domestic/Foreign) Operating in Banking and Financial Sectors Exceeding 10% of Ownership		
Investments in Entities (Domestic/Foreign) Operating in Banking and Financial Sectors at Less Than 10% Exceeding 10% or More of the Total Core and Supplementary Capitals		
Loans to Banks, Financial Institutions (Domestic/Foreign) or Qualified Shareholders in the Form of Secondary Subordinated Debts and Debt Instruments Purchased from Such Parties Qualified as Primary or Secondary Subordinated Debts		
Loan Granted to Customer Against the Articles 50 and 51 of the Banking Law	6,021	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 ⁽²⁾	69,153	77,890
Others ⁽³⁾	49,497	199,209
TOTAL SHAREHOLDERS' EQUITY	20,546,272	18,631,132

⁽¹⁾ 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.

⁽²⁾ Prior period's balance reported as TL 65,939 was restated as TL 77,890.

⁽³⁾ 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.

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II. 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, 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 30 June 2012.

1. Information on the market risk:

	Amount
(I) Capital Requirement against General Market Risk – Standard Method	241,179
(II) Capital Requirement against Specific Risk – Standard Method	32,893
(III) Capital Requirement against Currency Risk – Standard Method	188,322
(IV) Capital Requirement against Commodity Risk – Standard Method	4,966
(V) Capital Requirement against Exchange Risk – Standard Method	
(VI) Capital Requirement against Market Risk of Options – Standard Method	346
(VII) Capital Requirement against Market Risks of Banks Applying Risk Measurement Models	
(VIII) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI)	467,706
(IX) Value at Market Risk (12,5 x VIII) or (12,5 x VII)	5,846,325

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III. 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	JPY
30.06.2012	1.8000	2.2590	0.0226
29.06.2012	1.8000	2.2590	0.0226
28.06.2012	1.8200	2.2615	0.0229
27.06.2012	1.8101	2.2547	0.0227
26.06.2012	1.8131	2.2624	0.0228
25.06.2012	1.8191	2.2717	0.0228

The Bank's last 30-days arithmetical average foreign currency purchase rates:

USD: TL 1.8066

EUR: TL 2.2623

JPY: TL 0.0228

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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	8,504,698	150,117	792	1,861,025	10,516,632
Banks	1,108,638	290,104	11,266	636,639	2,046,647
Financial Assets at Fair Value through Profit/Loss ⁽¹⁾	102,535	344,285			446,820
Money Market Placements					
Financial Assets Available for Sale	532,462	6,608,053			7,140,515
Loans ⁽²⁾	9,602,016	24,656,852	58,203	504,393	34,821,464
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	146,436			64,774	211,210
Held to Maturity Investments	1,863	1,537		4,799	8,199
Derivative Financial Assets Held for Risk Management					
Tangible Assets ⁽¹⁾		243		128	371
Intangible Assets					
Other Assets ⁽¹⁾	100,277	437,555	2,869	7,362	548,063
Total Assets	20,098,925	32,488,746	73,130	3,079,120	55,739,921
Liabilities					
Banks Deposits	828,578	524,954	32	394,304	1,747,868
Foreign Currency Deposits ⁽³⁾	16,455,933	19,320,191	14,203	3,875,873	39,666,200
Money Market Funds	193,669	3,850,080			4,043,749
Funds Provided from Other Financial Institutions	4,277,736	6,332,637		852	10,611,225
Marketable Securities Issued		913,148			913,148
Miscellaneous Payables	139,798	103,936	986	7,847	252,567
Derivative Financial Liabilities Held for Risk Management					
Other Liabilities ⁽¹⁾	925,613	1,050,308	3,544	14,624	1,994,089
Total Liabilities	22,821,327	32,095,254	18,765	4,293,500	59,228,846
Net On Balance Sheet Position	(2,722,402)	393,492	54,365	(1,214,380)	(3,488,925)
Net Off Balance Sheet Position	1,344,732	1,179,049	(430,541)	1,529,827	3,623,067
Derivative Financial Assets ⁽⁴⁾	4,803,496	9,031,057	487,370	2,256,180	16,578,103
Derivative Financial Liabilities ⁽⁴⁾	3,458,764	7,852,008	917,911	726,353	12,955,036
Non-Cash Loans	4,881,432	11,715,359	466,407	276,404	17,339,602
Prior Period					
Total Assets	19,355,987	36,425,814	90,192	2,674,247	58,546,240
Total Liabilities	19,711,382	33,993,422	23,116	4,119,029	57,846,949
Net 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	3,303,355	7,216,039	11,099	2,764,381	13,294,874
Derivative Financial Liabilities	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

⁽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 84,680), Operating Lease Development Costs (TL 2,286), Prepaid Expenses (TL 12,876) in assets and Foreign Currency Expense Accruals of Derivative Financial Instruments (TL 125,442) and Shareholders' Equity (TL 305,857) in liabilities are not included.

⁽²⁾ Foreign currency indexed loans amounting TL 2,852,937 presented in TL loans in the balance sheet are included in the table above. TL 1,586,725 is USD indexed, TL 1,195,774 is EUR indexed, TL 14,299 is CHF indexed, TL 1,443 is GBP indexed, TL 54,674 is JPY indexed and TL 22 is CAD indexed.

⁽³⁾ Precious metals deposit accounts amounting TL 2,640,393 are included.

⁽⁴⁾ Forward foreign currency purchase and sale commitments are included according to aforementioned regulation.

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IV. 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 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						13,334,853	13,334,853
Banks	1,621,606	23,893	27,402			459,214	2,132,115
Financial Assets at Fair Value through Profit/Loss	279,973	217,691	249,060	524,953	11,926	75	1,283,678
Money Market Placements	10,026						10,026
Financial Assets Available for Sale	5,242,144	4,874,513	7,204,805	6,429,153	4,205,591	52,811	28,009,017
Loans	30,388,831	9,217,172	21,170,705	30,690,403	6,735,095	19,442	98,221,648
Held to Maturity Investments	151,086	4,172,948	5,309,141	2,146,458			11,779,633
Other Assets	186,627	27	364			10,650,020	10,837,038
Total Assets	37,880,293	18,506,244	33,961,477	39,790,967	10,952,612	24,516,415	165,608,008
Liabilities							
Banks Deposits	1,367,213	825,991	378,147			204,317	2,775,668
Other Deposits	59,089,044	15,736,367	3,136,808	392,748		18,301,935	96,656,902
Money Market Funds	15,371,594	1,870,032	988,155				18,229,781
Miscellaneous Payables	141,574					3,558,647	3,700,221
Marketable Securities Issued	994,662	854,390	2,425,800	893,591			5,168,443
Funds Provided from Other Financial Institutions	6,166,635	2,706,266	1,662,553	78,866	729,286		11,343,606
Other Liabilities ⁽¹⁾	238,238	248,351	1,554,760	35,997		25,656,041	27,733,387
Total Liabilities	83,368,960	22,241,397	10,146,223	1,401,202	729,286	47,720,940	165,608,008
Balance Sheet Long Position			23,815,254	38,389,765	10,223,326		72,428,345
Balance Sheet Short Position	(45,488,667)	(3,735,153)				(23,204,525)	(72,428,345)
Off Balance Sheet Long Position	2,212,349	5,094,000					7,306,349
Off Balance Sheet Short Position			(1,499,588)	(5,090,279)	(360,000)		(6,949,867)
Total Position	(43,276,318)	1,358,847	22,315,666	33,299,486	9,863,326	(23,204,525)	356,482

⁽¹⁾ Equity is included in "non-interest bearing" column.

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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	1-5 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.

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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	0.22	0.66		5.07
Financial Assets at Fair Value through Profit/Loss	3.17	4.65		11.62
Money Market Placements				10.30
Financial Assets Available for Sale	4.20	4.58		9.16
Loans	5.20	5.01	5.20	14.27
Held to Maturity Investments	0.75	0.05		13.11
Liabilities				
Banks Deposits	2.34	2.68		8.69
Other Deposits	2.72	2.93	0.01	8.33
Money Market Funds	3.10	1.88		10.19
Miscellaneous Payables				
Marketable Securities Issued		5.30		10.54
Funds Provided from Other Financial Institutions	1.57	2.17		9.12

	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

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V. 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 first six months period of the year 2012 with their prior year comparatives are given below.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	152.19	144.97	97.54	108.38
Highest (%)	167.65	157.21	113.42	112.21
Lowest (%)	141.68	119.19	88.25	103.75

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	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

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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	4,764,725	8,570,128						13,334,853
Banks	585,634	1,495,186	23,893	27,402				2,132,115
Financial Assets at Fair Value through Profit/Loss	75	246,697	217,731	291,395	413,292	114,488		1,283,678
Money Market Placements		10,026						10,026
Financial Assets Available for Sale	52,811	117,495	1,351,666	4,032,384	9,619,003	12,835,658		28,009,017
Loans	11,475,385	13,186,540	7,002,960	22,516,279	35,673,833	8,366,651		98,221,648
Held to Maturity Investments			963,735	1,151,219	9,664,679			11,779,633
Other Assets		696,333	39,344	5,639	132,021		9,963,701	10,837,038
Total Assets	16,878,630	24,322,405	9,599,329	28,024,318	55,502,828	21,316,797	9,963,701	165,608,008
Liabilities								
Bank Deposits	219,404	1,352,126	825,991	378,147				2,775,668
Other Deposits	18,310,276	59,076,311	15,735,135	3,140,598	394,582			96,656,902
Funds Provided from Other Financial Institutions		331,942	2,897,680	4,317,287	2,944,045	852,652		11,343,606
Money Market Funds		15,144,378	1,702,583	518,381	239,641	624,798		18,229,781
Marketable Securities Issued		994,662	704,390	2,425,800	1,043,591			5,168,443
Miscellaneous Payables		3,566,164	36,453	29,359	68,245			3,700,221
Other Liabilities		936,537	536,460	1,554,760	35,997		24,669,633	27,733,387
Total Liabilities	18,529,680	81,402,120	22,438,692	12,364,332	4,726,101	1,477,450	24,669,633	165,608,008
Liquidity Gap	(1,651,050)	(57,079,715)	(12,839,363)	15,659,986	50,776,727	19,839,347	(14,705,932)	
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'.

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VI. 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.7 and I.8 section of Section 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							6,668,871
Interest Income from Loans	984,464	2,036,987	1,519,662	20,391		112,939	4,674,443
Interest Income from Banks					6,838		6,838
Interest Income from Securities					1,964,196		1,964,196
Other Interest Income					213	23,181	23,394
Interest Expense							3,928,306
Interest Expense on Deposits	619,432	517,808	987,127	652,626		22,841	2,799,834
Interest Expense on Funds Borrowed					102,024		102,024
Interest Expense on Money Market Transactions					796,950		796,950
Interest Expense on Securities Issued					190,685		190,685
Other Interest Expense						38,813	38,813
Net Interest Income							2,740,565
Net Fees and Commissions Income							799,384
Fees and Commissions Received	76,762	189,409	286,893	7,842		344,018	904,924
Fees and Commissions Paid						105,540	105,540
Dividend Income					417,703		417,703
Trading Income/Loss (Net)					275,258		275,258
Other Income	9,824	198,087	124,646	259	3,822	205,405	542,043
Prov. For Loans and Other Receivables	9,468	247,613	164,244		507	445,822	867,654
Other Operating Expense	101,567	375,133	796,846	35,123		572,349	1,881,018
Income Before Tax							2,026,281
Tax Provision							365,231
Net Period Profit							1,661,050
SEGMENT ASSETS							
Financial Assets at FV Through P/L					1,283,678		1,283,678
Banks and Other Financial Institutions					2,142,141		2,142,141
Financial Assets Available for Sale					28,009,017		28,009,017
Loans	35,264,231	36,197,682	24,062,353	381,424		2,315,958	98,221,648
Held to Maturity Investments					11,779,633		11,779,633
Associates and Subsidiaries					6,980,373		6,980,373
Other						17,191,518	17,191,518
							165,608,008
SEGMENT LIABILITIES							
Deposits	21,692,203	19,037,239	38,362,810	17,578,947		2,761,371	99,432,570
Derivative Financial Liabilities Held for Trading					643,783		643,783
Funds Borrowed					11,343,606		11,343,606
Money Market Funds					18,229,781		18,229,781
Securities Issued					5,168,443		5,168,443
Other Liabilities						6,423,687	6,423,687
Provisions						4,605,399	4,605,399
Shareholders' Equity						19,760,739	19,760,739
							165,608,008

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SECTION FIVE: EXPLANATIONS AND FOOTNOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS

I. DISCLOSURES 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	855,882	348,095	796,329	324,116
Central Bank of Turkey	1,962,339	10,097,909	4,267,773	8,237,668
Other		70,628		111,019
Total	2,818,221	10,516,632	5,064,102	8,672,803

b. Information on balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	1,962,339	1,527,781	4,267,773	1,421,355
Unrestricted Time Deposit				
Restricted Time Deposit				
Other ⁽¹⁾		8,570,128		6,816,313
Total	1,962,339	10,097,909	4,267,773	8,237,668

⁽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 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% 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 at 30 June 2012 are amounting to TL 92 (31 December 2011: TL 68).

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 at 30 June 2012 are amounting to TL 490,229 (31 December 2011: TL 468,125).

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c. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	94,590	20,460	22,758	123,792
Swap Transactions	57,241	480,500	5,214	735,118
Futures				
Options	4,971	14,174	262	26,534
Other		11,511		2,856
Total	156,802	526,645	28,234	888,300

3. Information on Banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	2,024	173,218	147,221	403,078
Foreign Banks	83,444	1,873,429	92,874	1,611,163
Foreign Head Office and Branches				
Total	85,468	2,046,647	240,095	2,014,241

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 1,760,447 as at 30 June 2012 (31 December 2011: TL 999,533).

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 14,660,566 as at 30 June 2012 (31 December 2011: TL 16,798,951).

c. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	27,975,054	28,791,593
Quoted on a Stock Exchange	19,827,914	16,511,612
Not-Quoted ⁽¹⁾	8,147,140	12,279,981
Share Certificates	13,622	13,622
Quoted on a Stock Exchange		
Not-Quoted	13,622	13,622
Value Increase / Impairment Losses (-)	18,848	210,248
Other	39,189	57,881
Total	28,009,017	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.

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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	189,417	94	455,535	
Total	189,417	94	455,535	

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	95,451,729	1,022,718	1,288,075	459,126
Discount Notes	10,395			
Export Loans	6,504,735	4,050	89,466	160
Import Loans				
Loans Given to Financial Sector	2,128,249			
Foreign Loans	1,384,860	8,975	4,059	231
Consumer Loans	19,035,200	867,937	499,585	61,086
Credit Cards	7,662,066		176,795	124,379
Precious Metal Loans	31,498	2,081		
Other	58,694,726	139,675	518,170	273,270
Specialized Loans				
Other Receivables				
Total	95,451,729	1,022,718	1,288,075	459,126

In accordance with the communiqué “The Change In The Regulation of Identifying The Properties and Determining The Methods and Principles to Allocate Provisions for Loans and Other Receivables”, which was published in the Official Gazette dated 28 May 2011, numbered 27947, there are 36,349 loans (4,572 group I loans / 31,777 group II loans), whose maturities have been extended for up to one year and there are 33,031 loans (16,914 group I loans / 16,117 group II loans), whose maturities have been extended for more than a year.

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c. 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	490,900	19,360,585	162,749	20,014,234
Real Estate Loans	25,767	8,291,629	82,861	8,400,257
Vehicle Loans	35,268	1,204,715	7,236	1,247,219
General Purpose Consumer Loans	95,310	4,756,581	33,745	4,885,636
Other Consumer Loans	334,555	5,107,660	38,907	5,481,122
Consumer Loans – FC Indexed		65,334	42,238	107,572
Real Estate Loans		64,937	42,145	107,082
Vehicle Loans		397	93	490
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	6,798,130	431,495	56,055	7,285,680
With Installments	2,625,302	431,495		3,056,797
Without Installments	4,172,828		56,055	4,228,883
Retail Credit Cards-FC				
With Installments				
Without Installments				
Personnel Loans-TL	5,627	60,118	837	66,582
Real Estate Loans		1,036	254	1,290
Vehicle Loans	43	1,666	14	1,723
General Purpose Consumer Loans	4,087	45,379	452	49,918
Other Consumer Loans	1,497	12,037	117	13,651
Personnel Loans- FC Indexed		657	390	1,047
Real Estate Loans		657	390	1,047
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	107,410		1,133	108,543
With Installments	42,797			42,797
Without Installments	64,613		1,133	65,746
Personnel Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (real persons)	264,569		9,804	274,373
Overdraft Accounts – FC (real persons)				
Total	7,666,636	19,918,189	273,206	27,858,031

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d. 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	1,104,114	12,563,091	125,033	13,792,238
Real Estate Loans	5,351	512,218	3,780	521,349
Vehicle Loans	103,456	2,894,430	18,741	3,016,627
General Purpose Commercial Loans	988,877	8,842,898	95,973	9,927,748
Other Commercial Loans	6,430	313,545	6,539	326,514
Commercial Loans With Installments-FC Indexed	50,448	1,246,384	96,877	1,393,709
Real Estate Loans		69,694	10,499	80,193
Vehicle Loans	2,934	567,110	32,201	602,245
General Purpose Commercial Loans	47,514	578,578	50,938	677,030
Other Commercial Loans		31,002	3,239	34,241
Commercial Loans With Installments-FC	764	311,193	1,869	313,826
Real Estate Loans				
Vehicle Loans				
General Purpose Commercial Loans				
Other Commercial Loans	764	311,193	1,869	313,826
Corporate Credit Cards-TL	566,288	2,557	172	569,017
With Installments	81,890	2,557		84,447
Without Installments	484,398		172	484,570
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (corporate)	706,410		42,328	748,738
Overdraft Accounts – FC (corporate)				
Total	2,428,024	14,123,225	266,279	16,817,528

e. Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	96,823,523	90,231,711
Foreign Loans	1,398,125	1,388,927
Total	98,221,648	91,620,638

f. Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	290,016	538,653
Indirect Loans Granted to Subsidiaries and Associates		
Total	290,016	538,653

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g. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	171,454	172,457
Loans and Receivables with Doubtful Collectability	312,253	198,775
Uncollectible Loans and Receivables	1,455,945	1,612,688
Total	1,939,652	1,983,920

h. Information on non-performing loans (Net):

h.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)	1,182	6,348	28,221
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	1,182	6,348	28,221
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

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h.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	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 (+)	361,657	18,226	23,017
Corporate and Commercial Loans	189,040	9,131	11,562
Retail Loans	70,605	4,900	7,318
Credit Cards	102,012	3,267	4,137
Other		928	
Transfers from Other NPL categories (+)		299,083	143,401
Corporate and Commercial Loans		186,270	75,353
Retail Loans		47,601	28,665
Credit Cards		65,212	39,383
Other			
Transfers to Other NPL categories (-)	299,083	143,401	
Corporate and Commercial Loans	186,270	75,353	
Retail Loans	47,601	28,665	
Credit Cards	65,212	39,383	
Other			
Collections (-) ⁽¹⁾	63,506	59,147	215,748
Corporate and Commercial Loans	29,799	30,899	121,960
Retail Loans	11,449	11,335	50,636
Credit Cards	22,258	16,478	43,152
Other		435	
Write-Offs (-)	71	1,283	107,413
Corporate and Commercial Loans	8	685	31,788
Retail Loans	43	131	26,414
Credit Cards	20	368	49,211
Other		99	
Current Period Ending Balance	171,454	312,253	1,455,945
Corporate and Commercial Loans	92,241	167,405	1,016,511
Retail Loans	32,561	43,658	189,798
Credit Cards	46,652	55,768	249,636
Other		45,422	
Specific Provisions (-)	171,454	312,253	1,455,945
Corporate and Commercial Loans	92,241	167,405	1,016,511
Retail Loans	32,561	43,658	189,798
Credit Cards	46,652	55,768	249,636
Other		45,422	
Net Balance on Balance Sheet			

⁽¹⁾ TL 136,641 (TL 223 was previously written-off) of the non-performing loans was sold to Girişim Varlık Yönetimi A.Ş. for the total consideration of TL 28,656 in the current period.

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h.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	103		51,404
Specific Provisions (-)	103		51,404
Net Balance on Balance Sheet			
Prior Period:			
Period Ending Balance			51,371
Specific Provisions (-)			51,371
Net Balance on Balance Sheet			

h.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)	171,454	266,830	1,455,945
Specific Provisions (-)	171,454	266,830	1,455,945
Loans to Individuals and Corporate (Net)			
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)		45,423	
Specific Provisions (-)		45,423	
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)			

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6. Held to Maturity Investments:

a. Held to maturity investments given as collateral or blocked:

Held to maturity investments given as collateral or blocked amount to TL 1,818,022 as at 30 June 2012 (31 December 2011: TL 1,963,141).

b. Held to maturity investments subject to repurchase agreements:

Held to maturity investments, which are subject to repurchase agreements amount to TL 4,695,115 as at 30 June 2012 (31 December 2011: TL 4,479,021).

c. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	11,764,535	13,444,975
Treasury Bills		
Other Public Debt Securities		
Total	11,764,535	13,444,975

d. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	11,779,633	13,465,702
Quoted on a Stock Exchange	11,613,449	13,294,435
Not Quoted ⁽¹⁾	166,184	171,267
Impairment Losses (-)		
Total	11,779,633	13,465,702

⁽¹⁾ Indicates unlisted debt securities, and debt securities that have not been traded at the end of the related periods although they are listed.

e. 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	(156)	2,415
Purchases During the Year	14,611	14,227
Transfers		
Disposals through Sales and Redemption	(1,457,875)	(493,100)
Impairment Losses (-)		
Valuation effect	(242,649)	338,175
Balance at the End of the Period	11,779,633	13,465,702

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7. Information on associates (Net):

a. 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%.

b. 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-	2,676,722	401,137	28,698	68,075	70	39,522	19,449	
2-	11,004,392	4,562,838	9,641,707	37,981		(1,054,947)	(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 at 30 June 2012, the financial data of other associates as at 31 December 2011.

⁽²⁾ Includes interest income on securities.

c. 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.

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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		

e. Associates quoted on a stock exchange: None.

f. Associates disposed of in the current period: None.

g. Associates acquired in the current period: None.

8. Information on subsidiaries (Net):

a. 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.	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	86.90	98.29
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	65.47	73.69

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b. 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
1-	6,394,893	450,411	24,550	53,861	41,663	39,347	32,960	1,245,000
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-	314,246	44,918	44,463	10,067		(1,822)	(1,458)	
6-	2,277,332	543,283	2,159	78,037	2,222	20,533	35,531	342,320
7-	1,193,607	1,038,422	1,047,089	4,235	508	33,950	19,436	684,000
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-	3,443,601	744,559	16,699	40,089	44,705	45,695	6,659	449,020
11-	2,208,782	246,500	38,758	57,081	2,137	10,072	6,052	
12-	13,493	5,265	694		26	1,697	761	
13-	1,702,071	554,681	46,295	40,476	21,641	77,499	(60,395)	
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-	10,302,247	1,712,861	254,796	306,673	10,773	175,128	119,271	2,024,000
18-	8,241,980	5,233,752	4,042,366	17,401	1	91,622	153,844	4,005,458

⁽¹⁾ Indicates financial data of Anadolu Hayat Emeklilik A.Ş., Closed Joint Stock Company İşbank, İşbank GmbH, Milli Reasürans T.A.Ş., İş Finansal Kiralama A.Ş., İş Gayrimenkul Yatırım Ortaklığı A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. are as at 30 June 2012; and Türkiye Şişe ve Cam Fabrikaları A.Ş. is as at 31 March 2012, the financial data of other companies are as of 31 December 2011.

⁽²⁾ Includes Interest Income on Securities.

c. 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⁾	301,330	585,464
Bonus Shares Acquired		
Dividends Received from Current Year Profit		
Sales		
Revaluation Surplus ⁽²⁾	404,026	(557,253)
Impairment		(17,886)
Balance at the End of the Period	6,236,458	5,531,102
Capital Commitments		
Contribution in equity at the end of the period (%)		

⁽¹⁾ TL 301,330 recognized in the current period is comprised of the participation in the cash capital increase of Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. amounting TL 22,152; and the purchase of Closed Joint Stock Company İşbank amounting TL 7,316 (remaining amount of USD 4 million as specified in the Share Acquisition Agreement) and the 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.

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d. Sectoral information on financial subsidiaries and the related carrying amounts:

Subsidiaries	Current Period	Prior Period
Banks	1,026,823	793,824
Insurance Companies	1,223,005	968,185
Factoring Companies		
Leasing Companies	94,064	107,413
Finance Companies		
Other Financial Subsidiaries	588,093	500,041
Total	2,931,985	2,369,463

e. Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	4,902,840	4,250,180
Traded on foreign stock exchanges		
Total	4,902,840	4,250,180

f. Subsidiaries disposed of in the current period: None.

g. Subsidiaries acquired in the current period: None.

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 investment property:

The Bank has not any investment properties.

13. Information on deferred tax asset:

As at 30 June 2012, the Bank has deferred tax asset amounting to TL 543,323. 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 at 30 June 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	27,522	27,755
Provisions ⁽¹⁾	(451,190)	(417,880)
Valuation of Financial Assets	(105,795)	(80,559)
Other	(13,860)	(17,929)
Net Deferred Tax (Asset)/Liability:	(543,323)	(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.

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14. 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	56	65,988
Transfers (Net)	39,811	6,187
Disposals (Net)	(34,331)	(63,576)
Impairment Losses (-)		
Depreciation	(1,359)	(2,751)
Balance at the End of the Period	63,980	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.

15. Information on Other Assets:

The “other assets” item of the balance sheet does not exceed 10% of total assets.

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II. DISCLOSURES 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	5,237,055		2,982,565	28,523,112	1,523,461	374,623	495,214		39,136,030
Foreign Currency Deposits	5,835,036		5,641,086	17,740,384	3,953,878	443,484	3,411,939		37,025,807
Residents in Turkey	5,442,957		5,301,876	17,078,540	3,468,593	328,968	1,574,537		33,195,471
Residents Abroad	392,079		339,210	661,844	485,285	114,516	1,837,402		3,830,336
Public Sector Deposits	173,540		1,047,102	464,199	624,657	105	496		2,310,099
Commercial Deposits	4,222,133		1,751,552	4,963,999	303,903	24,310	157,871		11,423,768
Other Institutions Deposits	228,323		76,912	2,649,014	1,160,831	1,243	4,482		4,120,805
Precious Metals Deposits	2,614,189		25,576	3		625			2,640,393
Interbank Deposits	219,404		466,557	1,310,828	385,120	40,633	353,126		2,775,668
The Central Bank of Turkey	44,539								44,539
Domestic Banks	2,333		78,849	447,327	267,183	6,180	18,542		820,414
Foreign Banks	169,249		387,708	863,501	117,937	34,453	334,584		1,907,432
Participations Banks	3,283								3,283
Other									
Total	18,529,680		11,991,350	55,651,539	7,951,850	885,023	4,423,128		99,432,570

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

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b.1. 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	16,202,352	16,344,278	22,647,552	24,004,306
Foreign Currency Savings Deposits	5,875,515	5,949,499	15,055,149	14,165,256
Other Deposits in the Form of Savings Deposits	1,441,381	1,293,378	1,101,003	1,085,426
Foreign Branches' Deposits Under Foreign Authorities' Insurance	633,367	694,449	57,658	49,636
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			30,758	17,827

b.2. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Saving Deposits and Other Accounts	88,416	67,463
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	9,794	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		

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	9,707	59,852	96,264	116,755
Swap Transactions	282,569	272,436	361,060	214,164
Futures				
Options	4,945	14,274	263	26,614
Other				42,762
Total	297,221	346,562	457,587	400,295

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3. Information on Funds Borrowed:

a. 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	252,501	333,221	210,689	236,181
Foreign banks, institutions and funds	479,880	10,278,004		10,701,338
Total	732,381	10,611,225	210,689	10,937,519

b. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	712,019	5,172,325	186,621	5,599,202
Medium and Long-term	20,362	5,438,900	24,068	5,338,317
Total	732,381	10,611,225	210,689	10,937,519

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
September 2011	USD 359,000,000 + EUR 603,000,000	1 year (with 1 year extension option)
May 2012	USD 241,000,000 + EUR 742,000,000	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.

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Information on funds received through securitization are given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as at 30 June 2012
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 60,800,000
May 2005	TIB Diversified Payment Rights Finance Company	USD 700,000,000	5-8 years	USD 50,000,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 114,460,511
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 264,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 355,000,000
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

4. Information on Marketable Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	3,172,974		1,809,005	
Bonds	1,082,321	913,148	1,019,442	952,974
Total	4,255,295	913,148	2,828,447	952,974

5. Information on Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

6. Information on Lease Payables (net):

The Bank does not have any lease payables.

7. Information on Derivative Financial Liabilities Held for Risk Management:

The Bank 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	1,431,017	1,245,245
Provision for Group I Loans and Receivables	1,201,894	1,039,640
Provision for Group II Loans and Receivables ⁽¹⁾	55,374	38,077
Provision for Non-cash Loans	129,275	117,154
Other	44,474	50,374

⁽¹⁾ Includes general provision for Group II non-cash loans.

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 2,917.27 (full TL amount as at 30 June 2012), which is one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits. The provision for employee benefits is set aside by measuring current value of the amount expected to be to the employees in case they retire. As at 30 June 2012 the provision amount resulting from liabilities for employee termination benefits stands at TL 256,218 (31 December 2011: TL 235,821).

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In addition to the employee termination benefits, the Bank also allocates provision for the unused vacation pay liability. As at 30 June 2012, provision for unused vacation pay is amounting to TL 24,291 (31 December 2011: TL 20,642).

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 at 30 June 2012, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 21,949 and this amount is offset against foreign currency indexed loan balance in the financial statements.

d. As at 30 June 2012, the Bank's specific provisions for unindemnified non-cash loans balance is TL 105,079 (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.

e. Information on other provisions:

e.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 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.

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 Section Three Note XVII, in the actuarial report which was prepared as at 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. Provision amount equivalent to the related deficit was allocated for the Pension Fund in the financial statements related to the aforementioned period and the said provision amount is preserved in the financial statements for 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 at 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 at 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.

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9. Information on Tax Liability:

a. Information on current tax liability:

a.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 287,280 as at 30 June 2012.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	287,280	186,206
Tax on Securities Income	101,055	110,023
Tax on Real Estate Income	1,835	1,717
Banking Insurance Transaction Tax	60,154	52,361
Foreign Exchange Transaction Tax	28	28
Value Added Tax Payable	876	529
Other	24,971	21,045
Total	476,199	371,909

a.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums – Employees	78	46
Social Security Premiums – Employer	84	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	1,727	1,618
Unemployment Insurance – Employer	3,464	3,237
Others		
Total	5,353	4,954

b. Information on deferred tax liabilities: None.

10. 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	10,000,000

The Bank's capital ceiling was raised to TL 10,000,000 from TL 7,000,000 in the current period.

c. The capital increase made in current period: None.

d. Information on capital increase through transfer from capital reserves during the current period: None.

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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	2,132,858		1,728,832	
Valuation Difference	2,132,858		1,728,832	
Foreign Exchange Differences				
Financial Assets Available for Sale	(44,254)	305,857	(385,877)	137,501
Valuation Difference	(51,575)	305,857	(452,438)	137,501
Deferred Tax Effect on Valuation	7,321		66,561	
Foreign Exchange Differences				
Total	2,088,604	305,857	1,342,955	137,501

11. Information on Dividend Distribution:

At the Bank's Ordinary General Meeting, held on 30 March 2012, it was decided to distribute 2011 net income of TL 2,667,487 thousands as follows;

- It was decided to transfer to "Capital Reserves" TL 86,134 thousands profit, which was gained on the sale of associates, subsidiaries and real estates, and which was not subject to dividend distribution, in order to use in capital increase,

- It was decided to allocate TL 2,581,353 thousands of the profit, which was subject to distribution as follows;

- TL 542,621 thousands to the Group A, B and C shares in cash,
- TL 2 thousands to founder shares in cash,
- TL 91,013 thousands to the members of the Board, the CEO and the staff as cash dividend and
- TL 1,947,717 thousands to be kept as legal and extraordinary reserves.

On 30 March 2012 TL 1,947,717 thousands was transferred to reserves account and the cash dividend distribution was initiated on 2 April 2012.

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III. DISCLOSURES AND FOOTNOTES ON OFF BALANCE SHEET ITEMS

1. Explanations to Liabilities Related to Off-Balance Sheet Items:

a. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 14,465,266 and commitment to pay for cheque leaves amounts to TL 6,267,886. The amount of commitment for the forward purchase of assets is TL 784,788 and for the forward sale of assets is TL 779,267.

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	568,687	497,122
Letters of Credit	5,405,941	5,170,468
Other Guarantees	1,363,882	1,001,081
Total	7,338,510	6,668,671

b.2. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Letters of Tentative Guarantees	941,227	1,201,212
Letters of Certain Guarantees	15,219,952	13,702,059
Letters of Advance Guarantees	3,616,763	3,005,909
Letters of guarantee given to customs offices	969,805	905,572
Other Letters of Guarantee	615,824	366,582
Total	21,363,571	19,181,334

c. 1. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	597,728	347,699
With Original Maturity of 1 Year or Less	93,386	37,121
With Original Maturity More Than 1 Year	504,342	310,578
Other Non-cash Loans	28,104,353	25,502,306
Total	28,702,081	25,850,005

c. 2. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	11,284,929	17,174,993	77,550	164,609
Letters of Guarantee	11,251,460	9,889,704	77,550	144,857
Bank Acceptances	12,647	554,553		1,487
Letters of Credit		5,392,655		13,286
Endorsements		829,667		
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	20,822	508,414		4,979

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2. Explanations Related to Contingencies and Commitments:

As at 30 June 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 4,764,277. As at 30 June 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 6,267,886. 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 (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 1,000 (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”.

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IV. DISCLOSURES AND FOOTNOTES ON 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	1,687,268	147,249	1,026,843	86,703
Medium and Long-term Loans	2,059,479	692,680	1,537,438	399,934
Interest on Non-performing Loans	87,767		139,439	1
Premiums Received from State Resource Utilization Support Fund				
Total	3,834,514	839,929	2,703,720	486,638

⁽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				
Domestic Banks	242	149	107	420
Foreign Banks	1,828	4,619	3,752	4,183
Foreign Head Offices and Branches				
Total	2,070	4,768	3,859	4,603

1.c. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	36,944	40	15,847	51
Financial Assets at Fair Value through Profit and Loss				
Financial Assets Available for Sale ⁽¹⁾	915,302	166,168	798,825	187,242
Held to Maturity Investments ⁽¹⁾	845,641	101	816,978	226
Total	1,797,887	166,309	1,631,650	187,519

⁽¹⁾ Total of TL 742,237 of interest income from related investments stems from inflation-indexed government bonds (30 June 2011: TL 615,241).

1.d. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Income from Associates and Subsidiaries	12,074	7,928

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2.a. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	12,974	64,208	4,290	73,607
Central Bank of Turkey				
Domestic Banks	9,094	4,266	4,290	1,680
Foreign Banks	3,880	59,942		71,927
Foreign Head Offices and Branches				
Other Institutions		24,842		17,958
Total ⁽¹⁾	12,974	89,050	4,290	91,565

⁽¹⁾ Includes fee and commission expenses from cash loans.

2.b. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	48,139	34,859

2.c. Information on interest paid on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued	168,947	21,738	47,274	17,465

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	90	2,466	41,825	2,514	119	480		47,494
Savings Deposits	1	118,370	1,341,503	96,012	22,259	21,357		1,599,502
Public Sector Deposits		1,363	4,528	47	1	22		5,961
Commercial Deposits	5	79,875	237,953	16,314	1,380	6,801		342,328
Other Institutions Deposits	2	46,468	136,054	63,033	9,581	60		255,198
Deposits with 7 Days Notice								
Total	98	248,542	1,761,863	177,920	33,340	28,720		2,250,483
FC								
Foreign Currency Deposits	15	64,237	356,296	49,370	7,265	50,453		527,636
Bank Deposits	24	2,028	13,432	1,974	1,237	3,011		21,706
Deposits with 7 Days Notice								
Precious Metals Deposits				9				9
Total	39	66,265	369,728	51,353	8,502	53,464		549,351
Grand Total	137	314,807	2,131,591	229,273	41,842	82,184		2,799,834

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3. Information on trading income/losses (Net):

	Current Period	Prior Period
Income		
Securities Trading Gains	200,805	16,198
Gains on Derivative Financial Instruments	1,828,560	2,221,481
Foreign Exchange Gains	25,109,023	35,270,563
Losses (-)		
Securities Trading Losses	9,282	7,117
Losses on Derivative Financial Instruments	2,099,327	1,851,097
Foreign Exchange Losses	24,754,521	35,580,584
Trading Income /Losses (Net)	275,258	69,444

As at 30 June 2012, income arising from foreign currency changes related to derivative transactions amounts to TL 1,303,292, and the losses amount to TL 1,496,618 and the amount of net loss is TL 193,326 (30 June 2011 profit: TL 1,265,605, loss: TL 1,033,396).

4. Information on other operating income:

84% 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.

5. Information on provision for loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	375,295	256,261
Group III Loans and Receivables	305,556	228,459
Group IV Loans and Receivables	16,643	9,420
Group V Loans and Receivables	53,096	18,382
General Loan Provision Expenses	190,852	217,130
Provision Expenses for Potential Risks	50,000	
Impairment Losses on Marketable Securities	507	1,019
Financial Assets at Fair Value through Profit and Loss	507	1,019
Financial Assets Available for Sale		
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investments		17,886
Associates		
Subsidiaries		17,886
Jointly Controlled Entities		
Held to Maturity Investments		
Others ⁽¹⁾	251,000	130,628
Total	867,654	622,924

⁽¹⁾ Includes provision for personnel dividend distributed from period profit and accounted as period expense as required by TAS 19 "Employee Benefits" and provision for possible salary increase since collective bargaining agreement process has not been started as at the reporting date.

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6. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	944,239	930,370
Reserve for Employee Termination Benefits	20,397	17,498
Bank Pension Fund Deficit Provisions		
Impairment Losses on Tangible Assets		
Depreciation Expenses of Tangible Assets	86,851	81,166
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	29,683	23,063
Impairment Losses on Investments Accounted Under Equity Method		
Impairment Losses on Assets to be Disposed	561	541
Depreciation Expenses of Assets to be Disposed	3,479	3,606
Impairment Losses on Assets Held for Sale		
Other Operating Expenses	626,030	500,035
Operational Lease Related Expenses	86,003	73,191
Repair and Maintenance Expenses	9,105	9,751
Advertisement Expenses	70,186	48,925
Other Expenses	460,736	368,168
Loss on Sale of Assets	1,952	580
Other	167,826	165,102
Total	1,881,018	1,721,961

7. Information on Profit/Loss before taxes including Profit/Loss from continuing and discontinued operations

For the six-month period ended 30 June 2012, the Bank's total tax provision amounting to TL 365,231 consists of TL 479,181 of current tax expense and TL 113,950 of deferred tax income.

8. Information on net period profit/loss:

a. Income and expenses resulting from ordinary banking activities: There is no specific issue required to be disclosed for the Bank's performance for the six-month period between 1 January 2012 - 30 June 2012.

b. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed

9. Explanation on other items on the income statement:

Other items do not exceed 10% of the total amount of the income statement.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

V. DISCLOSURES 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	538,591	2,188,952	2	19	892,899	148,663
Balance at the end of the period	289,983	2,118,356	1	10	914,161	419,916
Interest and commission income received	10,472	91			32,033	893

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	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	7,928	99			13,690	719

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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
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	1,452,166	1,430,686	483,974	549,679	1,738,761	1,725,317
Interest expense on deposits	38,564	30,593	26,353	32,304	44,163	29,807

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

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	557,190				188,145	10,200
End of the period	770,874	557,190			223,223	188,145
Total Profit/ Loss	(14,250)	1,471			972	422
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/Loss						

2. Disclosures for Bank's risk group:

a. 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. 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 1.23%, while the ratio to the overall assets is 0.73%; the ratio of deposits of the risk group corporations to the overall deposits is 3.70%, while the ratio to overall liabilities is 2.22%. 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, 27 of them are managed by İş Portföy Yönetimi A.Ş. and 11 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 current period amount to TL 9,646 (30 June 2011: TL 9,953).

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

VI. SUBSEQUENT EVENTS

- 1.** Within the framework of the resolution made by the Parent Bank’s Board of Directors on 23 December 2011 regarding the issuance of borrowing instrument, the Parent Bank has issued bank bills with a nominal value of TL 1,000,000 at July 2012 and a maturity of 175 days. The redemption date for the related bills is 9 January 2013 and the interest rate is 8.72% (annual simple interest).
- 2.** 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, by 1,200 million Rubles in cash and to exercise İşbank’s preferential rights amounting to Rubles 1,200 million due to the related capital increase and on the same date it was publicly disclosed and the related payment transaction is actualized on 27 July 2012.
- 3.** Subsequent to parallel implementation of BASEL II calculations of BRSA is complemented as at 30 June 2012, “consistent” application of BASEL II is initiated as at 1 July 2012. Regulations about BASEL II applications are published in the Official Gazette numbered 28337 dated 28 June 2012.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION SIX: OTHER EXPLANATIONS

I. The Bank's Credit Ratings and Related Explanations:

	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	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	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: 2 July 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.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' LIMITED REVIEW REPORT:

The Bank's unconsolidated interim financial statements and footnotes to be disclosed to public as at 30 June 2012 are reviewed 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 interim financial statements described in the third paragraph of the review report dated 8 August 2012, nothing material has come to their attention that caused them to believe that the accompanying unconsolidated interim financial statements do not give a true and fair view of the Bank's financial position and results of its operations as at 30 June 2012.

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.

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**AUDITED BRSA FINANCIAL STATEMENTS OF THE BANK FOR THE
FISCAL YEAR ENDED DECEMBER 31, 2011 (INCLUDING 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.**

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**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 1 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
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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
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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
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TÜRKİYE İŞ BANKASI A.Ş.

(Convenience Translation of Financial Statements and Related Disclosures and
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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:**

<u>Name and Surname</u>	<u>Areas of Responsibility</u>
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Fusun 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 Kıcılhoğlu	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:

<u>Name and Surname</u>	<u>Administrative Position</u>
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)		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	5,064,102	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						
			CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)			
			TL	FC	Total	TL	FC	Total	
LIABILITIES AND SHAREHOLDERS' EQUITY									
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			PRIOR PERIOD		
	(31/12/2011)			(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

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' EQUITY ACCORDANCE 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 1 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	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) Changes During the Period		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
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												-1,383			
14.1. Cash			-361,553														
14.2. Internal Sources		1,420,361	-361,553											-1,383			
XV. Share Issue																	
XVI. Share Cancellation Profits																	
XVII. Paid-in-Capital Inflation Adjustment																	
XVIII. Other																	
XIX. Net Profit / Loss for the Period						170,071		1,529,963		2,982,210							2,982,210
XX. Profit Distribution																	
20.1. Dividend Paid																	
20.2. Transfer to Reserves						170,071		1,529,963									
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.

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Part Three)

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED - STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		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
	CURRENT PERIOD	(31/12/2011)																	
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												-2,982,210						-830,652
18.1	Dividend Paid												-830,652						-830,652
18.2	Transfer to Reserves																		
18.3	Other												-2,151,558						
	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	THOUSAND TL		
	Footnotes	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 2011 will 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 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.

Type of Collateral	Current Period		Prior Period	
	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.

Type of Collateral	Current Period		Prior Period	
	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.

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.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	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

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	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

“IFRS 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:

	Current Period	Prior Period
Specific Provisions		
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.

1. 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 Mümessilik 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 31 December 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.

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					Accumulated Deposits	Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year		
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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
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).

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.

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**AUDITED BRSA FINANCIAL STATEMENTS OF THE BANK FOR THE
FISCAL YEAR ENDED DECEMBER 31, 2010 (INCLUDING 2009 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 2010

*(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 2011

*This report contains "Independent Auditors' Report"
comprising 1 page and; "Unconsolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 86 pages.*



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
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**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 2010 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 financial statements of the Bank for the year ended 31 December 2009 have been audited by other auditors whose report, dated 15 February 2010, expressed a qualified opinion due to the general reserves provided by the Bank.

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.

The general reserves described above at first paragraph are still outstanding at 31 December 2010. 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 2010 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 2011

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 1 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 2010**

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

H. Ersin Özince
Chief Executive Officer

Prof. Dr. Savaş Taşkent
Member of the Board and
the Audit Committee

Caner Çimenbiçer
Chairman of
the Board of Directors
and the Audit Committee

Information on the authorized personnel to whom questions related to this financial report may be directed.

Name – Surname / Title: H. Süleyman Özcan / Head of Investor Relations Division
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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)

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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 2010, 39.29% 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 32.62% 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	Areas of Responsibility
Caner Çimenbiçer	Chairman of the Board, the Audit Committee and TRNC Internal Systems Committee; the Board of Inspectors
H. Fevzi Onat	Deputy Chairman, Board Member in Charge of Internal Systems, Chairman of the Risk Committee, Member of the Credit Committee
H. Ersin Özince	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee and TRNC Internal Systems Committee
İsmet Atalay	Director, Member of the Social Responsibility Committee
Tülin Aykın	Director, Alternate Member of the Credit Committee, Member of the Social Responsibility Committee
Tuncay Ercenk	Director
Adnan Keskin	Director
Ali Sözen	Director
Fusun Tümsavaş	Director, Member of the Credit Committee
Hasan Koçhan	Director, Alternate Member of the Credit Committee
Prof. Dr. Turkey Berksoy	Auditor
A. Taciser Bayer	Auditor

Chief Executive Officer and Deputy Chief Executives*:

Name	Administrative Position
H. Ersin Özince	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
A. Aykut Demiray	Treasury, Economic Research, International Banking, Foreign Branches and Foreign Representative Offices, Member of the Risk Committee
Özcan Türkakın	Corporate Communications, Equity Participations, Capital Markets, Private Banking Marketing and Sales Management, Member of the Risk Committee**
Zafer Memişoğlu	Support Services and Purchasing, Human Resources, Human Resources Partnership and Human Resources Service Center, Construction and Real Estate, and Talent Management
Hülya Altay	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Hakan Barut	Credit Information and Financial Analysis, Commercial and Corporate Loans Monitoring and Recovery Management
Adnan Bali	Corporate Banking Marketing, Sales and Product Management, Commercial Banking Marketing, Sales and Product Management, Free Zone Branches
Suat İnce	Corporate Loans, SME Loans and Commercial Loans Underwriting, Retail Loans Monitoring and Recovery Management, Credit Risk Management and Portfolio Monitoring, Member of the Risk Committee
Serdar Gençer	Enterprise Architecture, Project and Change Management, Strategy and Corporate Performance Management, Branch Network Development
Hakan Aran	Alternative Distribution Channels Operations, Alternative Distribution Channels Strategy, Banking Operations and Payment Operations, IT Solution Development, IT Architecture & Security, IT System Operations, IT Product & Service Delivery, Retail Loan and Card Operations, Foreign Trade and Commercial Loan Operations, Internal Operations

* Deputy Chief Executives, Mr. Kadir Akgöz and Mr. F. Kayhan Söyler have retired as of 31 January 2010.

** 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)	1,768,190	39.29%	1,768,190	
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)		Footnotes	THOUSAND TL					
			CURRENT PERIOD (31/12/2010)			PRIOR PERIOD (31/12/2009)		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	3,990,261	4,532,364	8,522,625	5,793,452	2,966,521	8,759,973
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	V-I-2	476,313	256,553	732,866	406,452	92,554	499,006
2.1	Financial Assets Held for Trading		476,313	256,553	732,866	406,452	92,554	499,006
2.1.1	Government Debt Securities		456,365	15,718	472,083	376,462	3,117	379,579
2.1.2	Equity Securities		54	0	54	63	0	63
2.1.3	Derivative Financial Assets Held for Trading		19,873	240,835	260,708	29,927	89,437	119,364
2.1.4	Other Marketable Securities		21	0	21	0	0	0
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	184,289	3,000,829	3,185,118	201,621	8,230,943	8,432,564
IV.	MONEY MARKET PLACEMENTS		0	0	0	0	0	0
4.1	Interbank Money Market Placements		0	0	0	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	21,529,264	9,831,150	31,360,414	15,416,637	10,563,984	25,980,621
5.1	Equity Securities		12,622	0	12,622	12,622	0	12,622
5.2	Government Debt Securities		21,516,642	6,300,788	27,817,430	15,404,015	8,290,340	23,694,355
5.3	Other Marketable Securities		0	3,530,362	3,530,362	0	2,273,644	2,273,644
VI.	LOANS AND RECEIVABLES	V-I-5	43,826,943	20,404,735	64,231,678	34,435,319	13,899,467	48,334,786
6.1	Loans and Receivables		43,826,943	20,404,735	64,231,678	34,435,319	13,899,467	48,334,786
6.1.1	Loans to the Bank's Risk Group		259,390	594,102	853,492	165,212	441,480	606,692
6.1.2	Government Debt Securities		0	0	0	0	0	0
6.1.3	Other		43,567,553	19,810,633	63,378,186	34,270,107	13,457,987	47,728,094
6.2	Non-Performing Loans		2,355,999	51,489	2,407,488	2,714,836	53,360	2,768,196
6.3	Specific Provisions (-)		2,355,999	51,489	2,407,488	2,714,836	53,360	2,768,196
VII.	FACTORING RECEIVABLES		0	0	0	0	0	0
VIII.	INVESTMENTS HELD TO MATURITY (Net)	V-I-6	13,591,956	12,029	13,603,985	11,603,314	1,326,140	12,929,454
8.1	Government Debt Securities		13,586,189	0	13,586,189	11,597,684	0	11,597,684
8.2	Other Marketable Securities		5,767	12,029	17,796	5,630	1,326,140	1,331,770
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	743,262	0	743,262	743,262	0	743,262
9.1	Associates Accounted for Using the Equity Method		0	0	0	0	0	0
9.2	Unconsolidated Associates		743,262	0	743,262	743,262	0	743,262
9.2.1	Financial Investments		88,314	0	88,314	88,314	0	88,314
9.2.2	Non-Financial Investments		654,948	0	654,948	654,948	0	654,948
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	5,479,297	41,480	5,520,777	4,246,075	41,742	4,287,817
10.1	Unconsolidated Financial Subsidiaries		2,750,867	41,480	2,792,347	2,302,259	41,742	2,344,001
10.2	Unconsolidated Non-Financial Subsidiaries		2,728,430	0	2,728,430	1,943,816	0	1,943,816
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	1,829,496	2,389	1,831,885	1,859,390	2,602	1,861,992
XV.	INTANGIBLE ASSETS (Net)	V-I-13	32,619	0	32,619	32,754	0	32,754
15.1	Goodwill		0	0	0	0	0	0
15.2	Other		32,619	0	32,619	32,754	0	32,754
XVI.	INVESTMENT PROPERTY (Net)	V-I-14	0	0	0	0	0	0
XVII.	TAX ASSETS	V-I-15	715,338	0	715,338	510,519	0	510,519
17.1	Current Tax Asset		0	0	0	0	0	0
17.2	Deferred Tax Asset		715,338	0	715,338	510,519	0	510,519
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-16	53,955	0	53,955	27,273	0	27,273
18.1	Held for Sale		53,955	0	53,955	27,273	0	27,273
18.2	Discontinued Operations		0	0	0	0	0	0
XIX.	OTHER ASSETS	V-I-17	729,472	532,500	1,261,972	477,169	346,114	823,283
	TOTAL ASSETS		93,182,462	38,614,029	131,796,494	75,753,237	37,470,067	113,223,304

II. BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (Statement of Financial Position)		Footnotes	THOUSAND TL					
			CURRENT PERIOD (31/12/2010)			PRIOR PERIOD (31/12/2009)		
			TL	FC	Total	TL	FC	Total
LIABILITIES AND SHAREHOLDERS' EQUITY								
I.	DEPOSITS	V-II-1	59,590,859	28,669,298	88,260,157	44,671,672	27,505,391	72,177,063
1.1	Deposits from the Bank's Risk Group		2,095,189	1,335,103	3,430,292	1,374,938	1,258,858	2,633,796
1.2	Other		57,495,670	27,334,195	84,829,865	43,296,734	26,246,533	69,543,267
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-2	393,432	323,844	717,276	325,302	161,520	486,822
III.	FUNDS BORROWED	V-II-3	111,052	7,931,390	8,042,442	2,395,190	7,348,669	9,743,859
IV.	MONEY MARKET FUNDS		6,409,126	3,749,764	10,158,890	6,384,073	4,599,805	10,983,878
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		6,409,126	3,749,764	10,158,890	6,384,073	4,599,805	10,983,878
V.	MARKETABLE SECURITIES ISSUED (Net)		0	0	0	0	0	0
5.1	Bills		0	0	0	0	0	0
5.2	Asset-backed Securities		0	0	0	0	0	0
5.3	Bonds		0	0	0	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		2,273,170	276,822	2,549,992	1,776,575	160,958	1,937,533
VIII.	OTHER LIABILITIES	V-II-4	460,443	606,436	1,066,879	420,971	166,575	587,546
IX.	FACTORING PAYABLES		0	0	0	0	0	0
X.	LEASE PAYABLES (Net)	V-II-5	0	3,168	3,168	0	18,014	18,014
10.1	Finance Lease Payables		2	3,412	3,414	2	19,493	19,495
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 (-)		2	244	246	2	1,479	1,481
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-6	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-7	3,615,780	15,809	3,631,589	3,478,059	15,743	3,493,802
12.1	General Loan Loss Provision		699,489	0	699,489	504,551	0	504,551
12.2	Provision for Restructuring		0	0	0	0	0	0
12.3	Reserves for Employee Benefits		220,107	0	220,107	165,580	0	165,580
12.4	Insurance Technical Reserves (Net)		0	0	0	0	0	0
12.5	Other Provisions		2,696,184	15,809	2,711,993	2,807,928	15,743	2,823,671
XIII.	TAX LIABILITY	V-II-8	352,141	156	352,297	301,097	162	301,259
13.1	Current Tax Liability		352,141	156	352,297	301,097	162	301,259
13.2	Deferred Tax Liability		0	0	0	0	0	0
XIV.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	V-II-9	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-10	0	0	0	0	0	0
XVI.	SHAREHOLDERS' EQUITY	V-II-11	16,958,369	55,435	17,013,804	13,457,393	36,135	13,493,528
16.1	Paid-in Capital		4,500,000	0	4,500,000	3,079,639	0	3,079,639
16.2	Capital Reserves		4,106,103	55,435	4,161,538	3,271,389	36,135	3,307,524
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		2,459,779	55,435	2,515,214	1,288,821	36,135	1,324,956
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	1,383	0	1,383
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	1,977,491	0	1,977,491
16.3	Profit Reserves		5,370,056	0	5,370,056	4,733,958	0	4,733,958
16.3.1	Legal Reserves		1,444,476	0	1,444,476	1,274,405	0	1,274,405
16.3.2	Statutory Reserves		0	0	0	0	0	0
16.3.3	Extraordinary Reserves		3,941,296	0	3,941,296	3,468,758	0	3,468,758
16.3.4	Other Profit Reserves		-15,716	0	-15,716	-9,205	0	-9,205
16.4	Profit or Loss		2,982,210	0	2,982,210	2,372,407	0	2,372,407
16.4.1	Prior Years' Profit/Loss		0	0	0	0	0	0
16.4.2	Current Year Profit/Loss		2,982,210	0	2,982,210	2,372,407	0	2,372,407
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			90,164,372	41,632,122	131,796,494	73,210,332	40,012,972	113,223,304

III. OFF-BALANCE SHEET ITEMS

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED OFF-BALANCE SHEET ITEMS (FOOTNOTE: V-III)	Thousand TL					
	CURRENT PERIOD			PRIOR PERIOD		
	(31/12/2010)			(31/12/2009)		
	TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	41,195,439	43,360,670	84,556,109	31,808,487	22,816,890	54,625,377
I. GUARANTEES AND SURETYSHIPS	6,541,670	8,740,933	15,282,603	5,059,671	7,441,602	12,501,273
1.1.Letters of Guarantee	6,535,952	5,089,383	11,625,335	5,005,625	4,559,696	9,565,321
1.1.1.Guarantees Subject to State Tender Law	379,412	1,277,896	1,657,308	386,021	670,598	1,056,619
1.1.2.Guarantees Given for Foreign Trade Operations	609,497	602,145	1,211,642	307,059	755,296	1,062,355
1.1.3.Other Letters of Guarantee	5,547,043	3,209,342	8,756,385	4,312,545	3,133,802	7,446,347
1.2.Bank Acceptances	3,922	207,616	211,538	2,997	148,198	151,195
1.2.1.Import Letters of Acceptance	0	97,562	97,562	0	110,744	110,744
1.2.2.Other Bank Acceptances	3,922	110,054	113,976	2,997	37,454	40,451
1.3.Letters of Credit	0	3,105,943	3,105,943	0	2,575,767	2,575,767
1.3.1.Documentary Letters of Credit	0	2,229,048	2,229,048	0	1,674,671	1,674,671
1.3.2.Other Letters of Credit	0	876,895	876,895	0	901,096	901,096
1.4.Prefinancing Given as Guarantee	0	0	0	0	0	0
1.5.Endorsements	0	30,582	30,582	0	41,538	41,538
1.5.1.Endorsements to the Central Bank of Turkey	0	30,582	30,582	0	41,538	41,538
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	1,796	307,409	309,205	51,049	116,403	167,452
1.9.Other Suretyships	0	0	0	0	0	0
II. COMMITMENTS	22,803,118	5,263,789	28,066,907	19,359,329	2,786,171	22,145,500
2.1.Irrevocable Commitments	22,803,118	5,234,610	28,037,728	19,359,329	2,786,171	22,145,500
2.1.1.Forward Asset Purchase Commitments	687,008	1,567,825	2,254,833	15,882	101,562	117,444
2.1.2.Forward Deposit Purchase and Sale Commitments	0	0	0	0	0	0
2.1.3.Capital Commitment for Associates and Subsidiaries	2,000	0	2,000	2,000	0	2,000
2.1.4.Loan Granting Commitments	4,086,957	998,996	5,085,953	3,530,717	850,729	4,381,446
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	4,323,938	0	4,323,938	3,978,131	0	3,978,131
2.1.8.Tax and Fund Liabilities from Export Commitments	7,297	0	7,297	22,852	0	22,852
2.1.9.Commitments for Credit Card Expenditure Limits	12,877,554	551,392	13,428,946	11,278,482	513,700	11,792,182
2.1.10. Commitments for Credit Cards and Banking Services Promotions	45,971	0	45,971	34,041	0	34,041
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	772,393	2,116,397	2,888,790	497,224	1,320,180	1,817,404
2.2.Revocable Commitments	0	29,179	29,179	0	0	0
2.2.1.Revocable Loan Granting Commitments	0	29,179	29,179	0	0	0
2.2.2.Other Revocable Commitments	0	0	0	0	0	0
III. DERIVATIVE FINANCIAL INSTRUMENTS	11,850,651	29,355,948	41,206,599	7,389,487	12,589,117	19,978,604
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	11,850,651	29,355,948	41,206,599	7,389,487	12,589,117	19,978,604
3.2.1.Forward Foreign Currency Buy/Sell Transactions	1,323,775	4,610,800	5,934,575	712,940	1,963,753	2,676,693
3.2.1.1. Forward Foreign Currency Buy Transactions	1,021,411	1,949,633	2,971,044	346,520	992,270	1,338,790
3.2.1.2. Forward Foreign Currency Sell Transactions	302,364	2,661,167	2,963,531	366,420	971,483	1,337,903
3.2.2. Currency and Interest Rate Swaps	8,450,412	21,497,348	29,947,760	5,338,957	8,457,266	13,796,223
3.2.2.1. Currency Swap Buy Transactions	336,480	7,368,992	7,705,472	5,598	2,099,026	2,104,624
3.2.2.2. Currency Swap Sell Transactions	4,493,932	3,142,558	7,636,490	1,813,359	271,020	2,084,379
3.2.2.3. Interest Rate Swap Buy Transactions	1,810,000	5,492,899	7,302,899	1,760,000	3,043,610	4,803,610
3.2.2.4. Interest Rate Swap Sell Transactions	1,810,000	5,492,899	7,302,899	1,760,000	3,043,610	4,803,610
3.2.3. Currency, Interest Rate and Security Options	2,076,464	3,247,800	5,324,264	1,337,590	2,151,876	3,489,466
3.2.3.1. Currency Call Options	1,593,482	663,410	2,256,892	1,064,795	276,998	1,341,793
3.2.3.2. Currency Put Options	482,982	1,764,510	2,247,492	272,795	1,021,998	1,294,793
3.2.3.3. Interest Rate Call Options	0	409,940	409,940	0	426,440	426,440
3.2.3.4. Interest Rate Put Options	0	409,940	409,940	0	426,440	426,440
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	0	0	0	16,222	16,222

III. OFF-BALANCE SHEET ITEMS (continued)

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED OFF-BALANCE SHEET ITEMS (FOOTNOTE: V-III)	Thousand TL					
	CURRENT PERIOD (31/12/2010)			PRIOR PERIOD (31/12/2009)		
	TL	FC	Total	TL	FC	Total
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	102,765,981	21,661,516	124,427,497	79,399,361	17,551,927	96,951,288
IV. ITEMS HELD IN CUSTODY	32,031,771	5,238,125	37,269,896	25,628,164	4,152,807	29,780,971
4.1. Customers' securities held	0	0	0	0	0	0
4.2. Investment securities held in custody	23,057,101	19,823	23,076,924	17,661,904	25,134	17,687,038
4.3. Checks received for collection	5,122,675	1,039,433	6,162,108	4,685,274	626,262	5,311,536
4.4. Commercial notes received for collection	2,581,619	2,437,765	5,019,384	1,932,760	1,932,235	3,864,995
4.5. Other assets received for collection	4,924	14,353	19,277	2,783	9,948	12,731
4.6. Assets received for public offering	68,166	0	68,166	68,166	0	68,166
4.7. Other items under custody	1,192,497	1,726,751	2,919,248	1,272,488	1,559,228	2,831,716
4.8. Custodians	4,789	0	4,789	4,789	0	4,789
V. PLEDGED ITEMS	70,734,210	16,423,391	87,157,601	53,771,197	13,399,120	67,170,317
5.1. Marketable securities	1,107,485	0	1,107,485	398,252	0	398,252
5.2. Guarantee notes	2,914,619	4,100,231	7,014,850	2,325,311	3,824,984	6,150,295
5.3. Commodity	15,091,219	32,799	15,124,018	10,391,911	31,588	10,423,499
5.4. Warranty	0	0	0	0	0	0
5.5. Real Estates	50,859,457	12,161,336	63,020,793	40,261,229	9,416,568	49,677,797
5.6. Other pledged items	761,430	73,387	834,817	394,494	76,804	471,298
5.7. Pledged items-depository	0	55,638	55,638	0	49,176	49,176
VI. ACCEPTED BILL GUARANTEES AND SURETIES	0	0	0	0	0	0
TOTAL OFF-BALANCE SHEET ITEMS (A+B)	143,961,420	65,022,186	208,983,606	111,207,848	40,368,817	151,576,665

IV. INCOME STATEMENT

TÜRKİYE İŞ BANKASI A.Ş. INCOME STATEMENT		Footnotes	THOUSAND TL	
			CURRENT PERIOD (01/01-31/12/2010)	PRIOR PERIOD (01/01-31/12/2009)
I.	INTEREST INCOME	V-IV-1	9,797,839	10,200,437
1.1	Interest Income on Loans		5,947,788	6,764,725
1.2	Interest Income on Reserve Deposits		0	180,606
1.3	Interest Income on Banks		148,431	93,727
1.4	Interest Income on Money Market Placements		5,752	86,809
1.5	Interest Income on Marketable Securities Portfolio		3,667,042	3,017,404
1.5.1	Financial Assets Held for Trading		40,698	69,553
1.5.2	Financial Assets at Fair Value Through Profit and Loss		0	0
1.5.3	Financial Assets Available for Sale		1,994,148	1,955,896
1.5.4	Investments Held to Maturity		1,632,196	991,955
1.6	Finance Lease Income		0	0
1.7	Other Interest Income		28,826	57,166
II.	INTEREST EXPENSE	V-IV-2	5,215,964	5,332,949
2.1	Interest on Deposits		4,258,690	4,567,578
2.2	Interest on Funds Borrowed		511,177	586,219
2.3	Interest on Money Market Funds		434,702	166,190
2.4	Interest on Securities Issued		0	0
2.5	Other Interest Expense		11,395	12,962
III.	NET INTEREST INCOME / EXPENSE (I - II)		4,581,875	4,867,488
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSE		1,236,425	1,252,604
4.1	Fees and Commissions Received		1,351,579	1,354,749
4.1.1	Non-cash Loans		117,919	111,549
4.1.2	Other		1,233,660	1,243,200
4.2	Fees and Commissions Paid		115,154	102,145
4.2.1	Non-cash Loans		1,137	774
4.2.2	Other		114,017	101,371
V.	DIVIDEND INCOME	V-IV-3	369,210	325,037
VI.	TRADING INCOME / LOSS (NET)	V-IV-4	134,630	408,373
6.1	Gains/Losses on Securities Trading		514,410	424,298
6.2	Derivative Financial Transactions Gains/Losses		-71,046	340,394
6.3	Foreign Exchange Gains/Losses		-308,734	-356,319
VII.	OTHER OPERATING INCOME	V-IV-5	1,569,284	1,073,275
VIII.	TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)		7,891,424	7,926,777
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	1,135,449	2,286,474
X.	OTHER OPERATING EXPENSES (-)	V-IV-7	3,203,123	2,694,687
XI.	NET OPERATING INCOME (VIII-IX-X)		3,552,852	2,945,616
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	3,552,852	2,945,616
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	V-IV-9	570,642	573,209
16.1	Current Tax Provision		782,865	783,467
16.2	Deferred Tax Provision		-212,223	-210,258
XVII.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-10	2,982,210	2,372,407
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	2,982,210	2,372,407
	Earnings Per Share (in full TL)		0.026508003	0.02108764

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 (31/12/2010)	PRIOR PERIOD (31/12/2009)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	64,235	218,670
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	0	0
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	0	0
IV.	TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	-6,511	-2,516
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' EQUITY ACCORDANCE WITH TAS	1,133,427	1,768,463
IX.	DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	-7,404	-40,028
X.	NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	1,183,747	1,944,589
XI.	PROFIT/LOSS FOR THE PERIOD	2,982,210	2,372,407
1.1	Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	29,139	-6,304
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	2,953,071	2,378,711
XII.	TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	4,165,957	4,316,996

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 (FOOTNOTE: V.V) PRIOR PERIOD (31/12/2009)	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	2,756,585	1,977,491	3,694		1,154,745		2,675,926	-6,689		1,509,408	-622,149					9,449,011
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) Changes During the Period	2,756,585	1,977,491	3,694		1,154,745		2,675,926	-6,689		1,509,408	-622,149					9,449,011
IV. Increase/Decrease Due to Mergers																
V. Marketable Securities Value Increase Fund											1,947,105					1,947,105
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)							-1,383						1,383			
X. Translation Differences								-2,516								-2,516
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	323,054															
14.1. Cash																
14.2. Internal Sources	323,054															
XV. Share Issue																
XVII. Share Cancellation Profits																
XVII. Paid-in-Capital Inflation Adjustment																
XVIII. Other																
XIX. Net Profit / Loss for the Period									2,372,407							2,372,407
XX. Profit Distribution																
20.1. Dividend Paid																
20.2. Transfer to Reserves																
20.3. Other																
Ending Balance (III+IV+V...+XVIII+XIX+XX)	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

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. UNCONSOLIDATED - STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (FOOTNOTE: V-Y)		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	CURRENT PERIOD (31/12/2010)																
I.	Beginning Balance	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																	
II.	Increases / Decreases Due to Mergers																	
III.	Marketable Securities Value Increase Fund												1,190,258					1,190,258
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)														26,692			26,692
VIII.	Translation Differences																	
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	1,420,361	-361,553						-1,057,425									
12.1	Cash																	
12.2	Internal Sources																	
XIII.	Share Premium	1,420,361	-361,553						-1,057,425									
XIV.	Share Cancellation Profits																	
XV.	Paid-in-Capital Inflation Adjustment																	
XVI.	Other																	
XVII.	Net Profit / Loss for the Period										2,982,210							2,982,210
XVIII.	Profit Distribution																	
18.1	Dividend Paid																	
18.2	Transfer to Reserves																	
18.3	Other																	
	Ending Balance (I+II+III+...+XVI+XVII+XVIII)	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

VII. STATEMENT OF CASH FLOWS

UNCONSOLIDATED STATEMENT OF CASH FLOWS	(THOUSAND TL)		
	Footnote	CURRENT PERIOD (01/01 - 31/12/2010)	PRIOR PERIOD (01/01 - 31/12/2009)
A. CASH FLOWS FROM BANKING OPERATIONS	V-VI		
1.1. Operating Profit Before Changes in Operating Assets and Liabilities		3,568,851	5,003,471
1.1.1. Interest Received		9,786,662	10,970,598
1.1.2. Interest Paid		-5,340,153	-5,601,202
1.1.3. Dividend Received		127,402	122,366
1.1.4. Fees and Commissions Received		1,351,579	1,354,749
1.1.5. Other Income		703,929	907,049
1.1.6. Collections from Previously Written Off Loans and Other Receivables		947,193	564,313
1.1.7. Cash Payments to Personnel and Service Suppliers		-2,530,845	-1,415,610
1.1.8. Taxes Paid		-817,217	-715,991
1.1.9. Other		-659,699	-1,182,801
1.2. Changes in Operating Assets and Liabilities		-1,763,828	8,962,739
1.2.1. Net (Increase) Decrease in Financial Assets Held for Trading		-93,482	-102,794
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		958,406	47,130
1.2.4. Net (Increase) Decrease in Loans		-17,517,994	-4,386,034
1.2.5. Net (Increase) Decrease in Other Assets		-415,833	-71,052
1.2.6. Net Increase (Decrease) in Bank Deposits		626,691	485,613
1.2.7. Net Increase (Decrease) in Other Deposits		15,620,597	9,415,550
1.2.8. Net Increase (Decrease) in Funds Borrowed		-1,264,410	-621,377
1.2.9. Net Increase (Decrease) in Matured Payables		0	0
1.2.10. Net Increase (Decrease) in Other Liabilities		322,197	4,195,703
I. Net Cash Provided From Banking Operations		1,805,023	13,966,210
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / Used in Investing Activities		-5,368,382	-14,856,181
2.1. Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-111,947	-29,234
2.2. Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		415,448	0
2.3. Tangible Asset Purchases		-223,958	-172,982
2.4. Tangible Asset Sales		280,975	138,919
2.5. Cash Paid for Purchase of Financial Assets Available for Sale		-31,957,248	-21,348,164
2.6. Cash Obtained from Sales of Financial Assets Available for Sale		26,685,943	15,976,844
2.7. Cash Paid for Purchase of Investment Securities Held to Maturity		-2,640,303	-10,695,855
2.8. Cash Obtained from Sales of Investment Securities Held to Maturity		2,182,708	1,274,291
2.9. Other		0	0
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / Used in Financing Activities		-688,439	-311,945
3.1. Cash Obtained from Funds Borrowed and Securities Issued		0	0
3.2. Cash Used for Repayment of Funds Borrowed and Securities Issued		0	0
3.3. Equity Instruments		0	0
3.4. Dividends Paid		-672,373	-272,479
3.5. Payments for Finance Leases		-16,066	-39,466
3.6. Other		0	0
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		-70,624	-21,989
V. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)		-4,322,422	-1,223,905
VI. Cash and Cash Equivalents at Beginning of the Period		13,100,460	14,324,365
VII. Cash and Cash Equivalents at End of the Period (V+VI)		8,778,038	13,100,460

VIII. STATEMENT OF PROFIT DISTRIBUTION TABLE

TÜRKİYE İŞ BANKASI A.Ş. (UNCONSOLIDATED) STATEMENT OF PROFIT DISTRIBUTION TABLE	(TL THOUSAND)	
	CURRENT PERIOD (31/12/2010)	PRIOR PERIOD (31/12/2009)
I. DISTRIBUTION OF CURRENT YEAR PROFIT ⁽¹⁾		
1.1. CURRENT PERIOD PROFIT	3,552,852	2,945,616
1.2. TAXES AND DUES PAYABLE (-)	570,642	573,209
1.2.1. Corporate Tax (Income Tax)	779,915	780,959
1.2.2. Income Tax Withholding	2,950	2,508
1.2.3. Other Taxes and Dues Payable ⁽²⁾	-212,223	-210,258
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	2,982,210	2,372,407
1.3. PRIOR YEARS' LOSSES (-)	0	0
1.4. FIRST LEGAL RESERVES (-)	0	118,232
1.5. OTHER STATUTORY RESERVES (-)	0	1,470,026
B. NET PROFIT ATTRIBUTABLE TO [(A)-(1.3+1.4+1.5)]	2,982,210	784,149
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	0	184,780
1.6.1. To Owners of Ordinary Shares	0	184,778
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	119,874
1.8. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	1,498
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	0	366,221
1.9.1. To Owners of Ordinary Shares	0	366,212
1.9.2. To Owners of Preferred Shares	0	4
1.9.3. To Preferred Shares (Preemptive Rights)	0	5
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	51,839
1.11. STATUTORY RESERVES (-)	0	0
1.12. EXTRAORDINARY RESERVES	0	59,937
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⁾	0.0265	0.0308
3.2. TO OWNERS OF ORDINARY SHARES (%)	66	77
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	0.0072
4.2. TO OWNERS OF ORDINARY SHARES (%)	0	18
4.3. TO OWNERS OF PREFERRED SHARES ⁽³⁾	0	0.0021
4.4. TO OWNERS OF PREFERRED SHARES (%)	0	21

(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”) and the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, and the other regulations, 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 and some of the funds are transferred to the Treasury guaranteed projects. On the other hand, 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 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 the Turkish Accounting Standard Nr:21 “Effects of Changes In Foreign Exchange Rates” (TAS 21), 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 the Turkish Accounting Standard Nr:29 “Financial Reporting In Hyperinflationary Economics” (TAS 29), 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 functional currency 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 the “Turkish Accounting Standard Nr.39: Financial Instruments: Recognition and Measurement” (TAS 39). 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 and currency 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 Turkish Accounting Standard Nr:39 “Financial Instruments: Recognition And Measurement” (TAS 39). 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 on accrual or collection basis, depending on the nature of the transaction. Credit related fee and commission expenses which are paid to credit institutions, on the other hand, are considered as part of the cost of transaction, and recorded by using the effective interest rate method.

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. 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 and 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 Value Increase Fund" 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. 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 profit/loss account.

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 reversed.

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 ones which were purchased before 1 January 2005 are presented at their inflation adjusted acquisition cost as of 31 December 2004, and the ones which were purchased in the following periods are presented with their acquisition costs less the accumulated amortization and impairment provisions. 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.

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 five years, the amortization period is considered to be five 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 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 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 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.

On the other hand, on 19 June 2008, the Republican People’s Party applied 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. As at the date of publication of financial statements, there are no decisions announced by the Constitutional Court on the related issue.

In line with the new law, the Bank had an actuarial valuation made for the aforementioned pension fund as of 31 December 2010 and set aside additional provisions for the difference between the amount of actuarial and technical deficit in the actuarial report dated 15 January 2011 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-7.

Up to now, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik 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 provisional tax for the end of the year 2010 will be paid in February 2011 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.

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 higher than the corporate tax payable, the difference is deducted from income tax payable.

England

Corporate gains are subject to 28% 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.

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 domestic or foreign institutions, as may be required. 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.

While the policies carried out are aiming at acquiring assets that would generate higher yields than the costs of borrowing instruments such as syndication, securitization, and collateralized borrowing, an effort is also made to ensure that the assets acquired are, as much as possible, of equal maturity or shorter, in order to avoid interest rate and liquidity risks.

Furthermore, the Bank aims to achieve an asset composition that is compatible, as much as possible, with the fixed/variable cost structure of borrowing instruments.

No convertible bonds or debt instruments are issued.

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.

As of 31 December 2009 the paid-in capital of the Bank which was TL 3,079,639, was raised by TL 1,420,361 to TL 4,500,000. TL 1,383 of the increase was covered by bonus shares received from participations, TL 1,057,425 of the increase was covered by the extraordinary reserves and TL 361,553 of the increase was covered by paid-in capital inflation adjustments. The relevant increase was registered by İstanbul Trade Registry Office on 23 February 2010 and as a result of this increase, 35,509,033,225 group C shares were issued.

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	2,982,210	2,372,407
Weighted average number of share certificates ('000)	112,502,250	112,502,250
Earnings per share – in exact TL	0.026508003	0.021087640

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

For the segmental reporting, focus is made on the field of activity method by taking into consideration the basic sources and qualities of the Bank's risks and returns. Field of activity is a part of a company which presents a single product or a single service, or a correlated group of product or service, and which has distinguished characteristics that separate it from other fields of activities in terms of risk and return.

Information on the Bank's activity segmentation is given in Part Four Note VI.

PART FOUR: INFORMATION ON THE FINANCIAL STRUCTURE

I. Explanations on Capital Adequacy Standard Ratio

The Bank’s capital adequacy standard ratio is 17.55%.

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)	25,996,390		3,726,586	13,391,813	56,452,887	375,978	64,859
Cash	1,253,618		32				
Securities in Redemption							
Balances with the Central Bank of Turkey	4,393,879						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches			2,936,353		248,689		
Interbank Money Market Placements							
Receivables from Reverse Repo Transactions							
Reserve Deposits	2,869,789						
Loans	2,577,129		782,792	13,217,642	46,502,639	375,978	64,859
Non-performing Loans (Net)							
Lease Receivables							
Financial Assets Available for Sale							
Investments Held to Maturity	12,439,313				17,398		
Receivables From Installment Sale of Assets							
Miscellaneous Receivables	6				875,090		
Interest and Income Accruals	1,181,446		7,163	174,171	550,015		
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)					6,264,039		
Tangible Assets					1,731,215		
Other Assets	1,281,210		246		263,802		
Off Balance Sheet Items	96,860		1,148,252	665,392	15,465,989		
Non-cash Loans and Commitments	96,860		398,374	665,392	15,315,017		
Derivative Financial Instruments			749,878		150,972		
Non- Risk-Weighted Accounts							
Total Risk Weighted Assets	26,093,250		4,874,838	14,057,205	71,918,876	375,978	64,859

Summary information about the bank only standard capital adequacy ratio:

	Current Period	Prior Period
Value at Credit Risk (VaCR)	80,616,131	61,589,240
Value at Market Risk (VaMR)	5,525,375	5,692,075
Value at Operational Risk (VaOR)	10,715,692	8,984,569
Shareholders’ Equity	16,995,505	13,963,036
Shareholders’ Equity/ (VaCR+VaMR+VaOR)*100	17.55	18.31

Information about the shareholders' equity items:

	Current Period	Prior Period
CORE CAPITAL (TIER I)		
Paid-In Capital	4,500,000	3,079,639
Nominal Capital	4,500,000	3,079,639
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,977,491
Share Premium	3,694	3,694
Share Cancellation Profits		
Legal Reserves	1,444,476	1,274,405
I. Legal Reserve (Turkish Commercial Code 466/1)	1,209,601	1,091,369
II. Legal Reserve (Turkish Commercial Code 466/2)	234,875	183,036
Other Legal Reserve Per Special Legislation		
Statutory Reserves		
Other Profit Reserves	-15,716	-9,205
Extraordinary Reserves	3,941,296	3,468,758
Reserves Allocated by the General Assembly	3,290,176	2,964,085
Retained Earnings	651,120	504,673
Accumulated Loss		
Exchange Rate Difference on Foreign Currency Share Capital		
Legal, Statutory and Extraordinary Reserves Inflation Adjustments		
Profit	2,982,210	2,372,407
Net Current Period Profit	2,982,210	2,372,407
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		
Primary Subordinated Loans (up to 15% of the Core Capital)		
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	113,754	103,854
Prepaid Expenses (-)	97,176	48,010
Intangible Assets (-)	32,619	32,754
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	15,178,349	12,932,571
SUPPLEMENTARY CAPITAL (TIER II)		
General Loan Loss Provision	699,489	504,551
45% of Movables' Revaluation Reserve		
45% of Immovables' Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures)	26,692	1,383
Primary Subordinated Loans Excluding the Portion included in the Core Capital		
Secondary Subordinated Loan		
45% of Marketable Securities Value Increase Fund (*)	1,131,846	596,230
Associates and Subsidiaries	1,028,738	518,696
Financial Assets Available for Sale	103,108	77,534
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	1,858,027	1,102,164

TIER III CAPITAL		
CAPITAL	17,036,376	14,034,735
DEDUCTIONS FROM THE CAPITAL	40,871	71,699
Investments in unconsolidated entities (domestic/foreign) of which the Bank Keeps 10% or More of the Shares and Operating in Banking and Financial Sectors		262
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		
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	40,871	71,437
Others		
TOTAL SHAREHOLDERS' EQUITY	16,995,505	13,963,036

(*) 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.

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 26% (31.12.2009: 28%).

(ii) The share of the Bank's receivables from the top 100 non-cash loan customers in the overall non-cash portfolio stands at 43% (31.12.2009: 44%).

(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 14% (31.12.2009: 15%).

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 699,489.

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".

Strong	29.13%
Standard	55.96%
Below Standard	10.29%
Not Rated/Scored	4.62%

9. The net values of the collaterals of the closely monitored loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage (*)	641,534	641,534	1,008,533	1,008,533
Vehicle Pledge	103,281	103,281	163,244	163,244
Cash Collateral (Cash, securities pledge, etc.)	6,234	6,234	14,243	14,243
Pledge on Wages	46,991	46,991	55,125	55,125
Cheques & Notes	17,486	17,486	35,632	35,632
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	80,303	80,303	174,856	174,856
Non-collateralized		548,602		745,380
Total	895,829	1,444,431	1,451,633	2,197,013

(*) 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.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage (*)	493,930	493,930	659,434	659,434
Cash Collateral	54	54	95	95
Vehicle Pledge	137,220	137,220	167,882	167,882
Other (suretyship, commercial enterprise under pledge, commercial papers, etc.)	62,355	62,355	70,334	70,334

(*)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 (*)	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.

Prior Period	31-60 Days	61-90 Days	Total
Loans			
Corporate / Commercial Loans (*)	76,000	42,173	118,173
Consumer Loans (*)	37,581	19,621	57,202
Credit Cards	98,146	107,972	206,118
Total	211,727	169,766	381,493

(*)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 471,974 and TL 240,381 respectively.

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	40,182,109	30,148,479	1,893,269	1,404,428	76,540	92,161	25,511,283	20,696,510
Public Sector	1,551,512	1,481,908			42,912,526	35,671,618	140,384	792,249
Banks			920,285	231,842	2,434,815	3,513,253	24,311,597	17,720,128
Retail Customers	19,684,503	15,068,129					15,760,930	13,385,775
Share Certificates					12,676	12,685	6,264,039	5,031,079
Geographical Concentration								
Domestic	60,711,111	46,088,472	2,438,798	1,261,000	42,102,858	35,736,773	47,905,991	39,543,583
European Union (EU)	104,470	85,666	341,708	367,069	3,286,363	3,537,755	22,317,143	12,324,582
OECD Countries (***)			232	367			926,270	1,973,152
Off-Shore Banking Regions	42,540		27		30,877			
USA, Canada	157	149		59			126,372	3,254,048
Other Countries	559,846	524,229	32,789	7,775	16,459	15,189	712,457	530,376
Total	61,418,124	46,698,516	2,813,554	1,636,270	45,436,557	39,289,717	71,988,233	57,625,741

(*) Includes financial assets at fair value through profit or loss, financial assets available for sale and investments held to maturity.

(**) Includes banks, 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	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
Prior Period					
Domestic	95,235,236	81,303,839	11,975,626	12,622	2,822,620
European Union Countries	10,308,354	14,988,567	206,484	41,742(***)	5,582
OECD Countries (****)	892,650	360,012	83,882		
Off-Shore Banking Regions					-471,440
USA, Canada	887,109	1,269,072	28,696		
Other Countries	856,254	1,808,286	206,585		15,645
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				4,989,337	
Unallocated Assets/Liabilities					
Total	108,179,603	99,729,776	12,501,273	5,043,701	2,372,407

(*)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 Balance indicates our subsidiaries located in EU countries.

(****)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	639,112	1.46	32,251	0.16	623,774	1.81	20,176	0.14
Farming and Raising Livestock	522,682	1.19	14,718	0.07	528,653	1.54	12,835	0.09
Forestry	84,497	0.20	9,568	0.05	69,923	0.20	1,893	0.01
Fishing	31,933	0.07	7,965	0.04	25,198	0.07	5,448	0.04
Industry	6,981,466	15.93	9,226,407	45.22	5,828,995	16.93	6,139,526	44.17
Mining	204,573	0.47	188,598	0.92	504,602	1.47	307,179	2.21
Production	6,576,167	15.00	6,897,790	33.81	5,155,849	14.97	4,516,814	32.50
Electricity, gas, and water	200,726	0.46	2,140,019	10.49	168,544	0.49	1,315,533	9.46
Construction	2,033,097	4.64	1,057,520	5.18	1,465,818	4.26	996,449	7.17
Services	14,421,067	32.90	8,424,549	41.28	11,166,801	32.43	5,261,372	37.85
Wholesale and Retail Trade	7,465,370	17.03	1,988,050	9.74	5,780,355	16.79	1,464,807	10.54
Hotel, Food and Beverage Services	498,065	1.14	385,246	1.89	388,175	1.13	250,121	1.80
Transportation and Telecommunication	2,443,012	5.57	2,467,932	12.09	2,402,855	6.98	2,100,601	15.11
Financial Institutions	1,602,515	3.66	2,080,299	10.20	1,032,987	3.00	488,301	3.51
Real Estate and Renting Services	1,193,284	2.72	1,025,843	5.03	562,781	1.63	527,880	3.80
Self-Employment Services	676,841	1.55	181,548	0.89	542,165	1.57	180,812	1.30
Education Services	176,230	0.40	202,930	0.99	154,389	0.45	172,382	1.24
Health and Social Services	365,750	0.83	92,701	0.45	303,094	0.88	76,468	0.55
Other	19,752,201	45.07	1,664,008	8.16	15,349,931	44.57	1,481,944	10.67
Total	43,826,943	100.00	20,404,735	100.00	34,435,319	100.00	13,899,467	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 2010.

1. Information on the market risk:

	Amount
(I) Capital Obligation against General Market Risk – Standard Method	221,640
(II) Capital Obligation against Specific Risk – Standard Method	46,684
(III) Capital Obligation against Currency Risk – Standard Method	172,947
(IV) Capital Obligation against Stocks Risk – Standard Method	
(V) Capital Obligation against Exchange Risk – Standard Method	
(VI) Capital Obligation against Market Risk of Options – Standard Method	759
(VII) Capital Obligation against Market Risks of Banks Applying Risk Measurement Models	
(VIII) Total Obligation against Market Risk (I+II+III+IV+V+VI)	442,030
(IX) Value at Market Risk (12,5 x VIII) or (12,5 x VII)	5,525,375

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	297,872	339,889	255,098	332,074	393,666	349,967
Share Certificate Risk	9,316	9,247	9,327	7,344	7,065	6,871
Currency Risk	155,844	163,068	159,286	123,580	161,687	26,879
Commodity Risk						
Settlement Risk						
Options Risk	626	792	382	171	100	122
Total Value at Risk	5,795,725	6,412,450	5,301,163	5,789,613	7,031,475	4,797,988

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 definitions related to operational risk, the methodology of its measurement and evaluation, 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”, “Control Culture Survey” and “Loss Database” 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 10,715,692 (31.12.2009: TL 8,984,569).

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 limits of "Net FC Overall Position/ Shareholders' Equity" ratio, which is a part of the legal requirement, and 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	EURO	YEN
31.12.2010	1.5400	2.0497	0.0190
30.12.2010	1.5500	2.0584	0.0190
29.12.2010	1.5600	2.0491	0.0190
28.12.2010	1.5550	2.0448	0.0189
27.12.2010	1.5450	2.0309	0.0186
24.12.2010	1.5450	2.0255	0.0186

The Bank's average FC buying rate over a period of thirty days preceding the date of the financial statement:

USD: TL 1.4977

EURO: TL 1.9787

YEN: TL 0.0180

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	215,053	185,539
	10% decrease	-215,053	-185,539
EURO	10% increase	-24,750	-110,011
	10% decrease	24,750	110,011
GBP	10% increase	-2,224	4,042
	10% decrease	2,224	-4,042

(*) Indicates the values before tax.

Information on currency risk:

	EURO	USD	Yen	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	4,057,059	125,307	524	349,474	4,532,364
Banks	282,914	2,341,988	9,689	366,238	3,000,829
Financial Assets at Fair Value through Profit/Loss (1)	43,803	88,619			132,422
Money Market Placements					
Financial Assets Available for Sale	1,953,969	7,877,181			9,831,150
Loans (2)	6,906,160	15,385,184	80,472	170,612	22,542,428
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	41,480				41,480
Investments Held to Maturity	1,728	5,232		5,069	12,029
Derivative Financial Assets Held for Risk Management					
Tangible Assets (1)		50		160	210
Intangible Assets					
Other Assets (1)	90,986	419,212	1,701	493	512,392
Total Assets	13,378,099	26,242,773	92,386	892,046	40,605,304
Liabilities					
Banks Deposits	369,044	272,838	27	293,365	935,274
Foreign Currency Deposits (3)	11,788,992	14,615,590	16,505	1,312,937	27,734,024
Money Market Funds	177,077	3,572,687			3,749,764
Funds Provided from Other Financial Institutions	2,886,782	5,042,414		2,194	7,931,390
Marketable Securities Issued					
Miscellaneous Payables	108,973	161,478	543	5,828	276,822
Derivative Financial Liabilities Held for Risk Management					
Other Liabilities (1)	63,180	783,426	2,233	2,212	851,051
Total Liabilities	15,394,048	24,448,433	19,308	1,616,536	41,478,325
Net On 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 (4)	3,204,497	6,209,285	150,683	867,892	10,432,357
Derivative Financial Liabilities (4)	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
Prior Period					
Total Assets	14,019,153	23,698,997	96,239	1,151,607	38,965,996
Total Liabilities	15,080,154	23,570,186	9,695	1,256,937	39,916,972
Net Balance Sheet Position	-1,061,001	128,811	86,544	-105,330	-950,976
Net Off Balance Sheet Position	-42,012	969,870	-3,771	179,710	1,103,797
Derivative Financial Assets	511,143	2,711,017	8,811	187,321	3,418,292
Derivative Financial Liabilities	553,155	1,741,147	12,582	7,611	2,314,495
Non-Cash Loans	2,776,017	4,515,524	83,998	66,063	7,441,602

(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 124,131), Operating Lease Development Costs (TL 2,179), Prepaid Expenses (TL 20,108) in assets and Derivative Financial Instruments Foreign Currency Expense Accruals (TL 98,362) and Shareholders' Equity (TL 55,435) in liabilities are not taken into consideration in the currency risk measurement.

(2) Includes foreign currency indexed loans, which are followed under TL accounts. Of the total amount of TL 2,137,693 of the aforementioned loans; TL 1,324,607 is USD indexed, TL 716,302 is EUR indexed, TL 18,122 is CHF indexed, TL 2,029 is GBP indexed, TL 76,630 is JPY indexed and TL 3 is CAD indexed.

(3) The item includes TL 336,249 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 increase or decrease that can arise in the value of interest sensitive assets and liabilities of the bank as a result of interest rate fluctuations. Measurement of interest rate risk is conducted through the scenario analysis on structural interest rate.

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 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 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 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	-373,135	-272,688	-74,147	-73,670
1 point decrease	1 point decrease	273,686	184,045	75,800	77,041

(*) 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.

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	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
Investments 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.

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	5,230,494					3,529,479	8,759,973
Banks	6,307,481	124,699	1,936,668			63,716	8,432,564
Financial Assets at Fair Value through Profit/Loss	152,429	129,789	145,345	69,748	1,632	63	499,006
Money Market Placements							
Financial Assets Available for Sale	5,280,866	9,693,036	1,856,205	5,394,247	3,687,928	68,339	25,980,621
Loans	17,022,605	5,452,088	9,999,431	14,470,975	1,369,182	20,505	48,334,786
Investment Held to Maturity	151,358	5,170,661	3,352,194	4,255,241			12,929,454
Other Assets	117,196	15	7	89		8,169,593	8,286,900
Total Assets	34,262,429	20,570,288	17,289,850	24,190,300	5,058,742	11,851,695	113,223,304
Liabilities							
Banks Deposits	1,434,486	254,819	86,067			83,648	1,859,020
Other Deposits	48,080,176	10,702,129	4,096,421	80,056		7,359,261	70,318,043
Money Market Funds	6,693,783	2,586,845	1,564,630	138,620			10,983,878
Miscellaneous Payables	1,130					1,936,403	1,937,533
Marketable Securities Issued							
Funds Provided from Other Financial Institutions	545,778	5,744,394	1,411,802	1,997,485	44,400		9,743,859
Other Liabilities*	117,142	270,681	175,667	9,631		17,807,850	18,380,971
Total Liabilities	56,872,495	19,558,868	7,334,587	2,225,792	44,400	27,187,162	113,223,304
Balance Sheet Long Position		1,011,420	9,955,263	21,964,508	5,014,342		37,945,533
Balance Sheet Short Position	-22,610,066					-15,335,467	-37,945,533
Off Balance Sheet Long Position	1,303,757	1,982,250					3,286,007
Off Balance Sheet Short Position			-244,480	-3,013,200			-3,257,680
Total Position	-21,306,309	2,993,670	9,710,783	18,951,308	5,014,342	-15,335,467	28,327

(*): Shareholders' equity is shown in "non-interest bearing" column.

Average interest rates applied to monetary financial instruments:

	EURO	USD	Yen	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	0.42	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

	EURO	USD	Yen	TL
Prior Period	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				5.20
Banks	0.22	1.03		6.19
Financial Assets at Fair Value through Profit/Loss	3.43	5.13		10.83
Money Market Placements				
Financial Assets Available for Sale	4.40	5.14		9.79
Loans	4.66	3.95	4.14	16.45
Investments Held to Maturity	0.44	1.00		13.16
Liabilities				
Banks Deposits	1.07	2.18		7.18
Other Deposits	1.89	2.21	0.02	7.67
Money Market Funds	0.78	2.18		6.67
Miscellaneous Payables				
Marketable Securities Issued				
Funds Provided from Other Financial Institutions	2.81	1.43	2.78	15.99

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 residual 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. Furthermore, foreign currency and total liquidity adequacy ratio, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and liquidity adequacy ratios calculated under the classification of foreign currencies for maturity segments of 7 days, 31 days, 1 month, 3 months and 12 months are also used as indicators to monitor liquidity. 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.

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 for the end of 2010 and 2009 are given below.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	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

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	274.43	267.63	143.14	146.45
Highest (%)	426.40	347.42	179.13	165.92
Lowest (%)	172.63	200.73	114.21	126.64

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	5,647,529	2,875,096						8,522,625
Banks	305,689	2,879,429						3,185,118
Financial Assets at Fair Value through Profit/Loss	54	74,261	64,926	167,708	321,843	104,074		732,866
Money Market Placements								
Financial Assets Available for Sale	78,277	3,180,420	1,036,823	6,378,334	15,247,857	5,438,703		31,360,414
Loans	6,616,302	9,402,460	4,505,061	15,531,320	22,459,986	5,716,549		64,231,678
Investments Held to Maturity			576,302	14,040	12,863,059	150,584		13,603,985
Other Assets	19,812	476,890	21,131	2,209	356,227	283,438	9,000,101	10,159,808
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
Liabilities								
Bank Deposits	272,335	1,709,857	385,350	101,842				2,469,384
Other Deposits	14,196,425	53,323,986	14,508,229	3,653,260	108,873			85,790,773
Funds Provided from Other Financial Institutions		123,905	522,760	4,606,521	2,437,109	352,147		8,042,442
Money Market Funds		6,359,787	1,095,842	1,818,620	229,922	654,719		10,158,890
Marketable Securities Issued								
Miscellaneous Payables	1,186,631	1,239,205	29,188	6,440	88,528			2,549,992
Other Liabilities	36,470	220,295	662,171	731,106	14,425		21,120,546	22,785,013
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	
Prior Period								
Total Assets	14,426,795	15,721,937	10,456,079	15,279,253	43,011,983	6,806,197	7,521,060	113,223,304
Total Liabilities	12,269,156	53,518,767	14,661,882	9,581,861	5,198,853	579,544	17,413,241	113,223,304
Liquidity Gap	2,157,639	-37,796,830	-4,205,803	5,697,392	37,813,130	6,226,653	-9,892,181	

(*) 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 nr.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	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

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	63	3,949	19,271	76,476	302,028	2,491	404,278	24,636	379,642
Banks	298,566	5,774,860	65,340	143,123	2,172,012	45,851	8,499,752	67,188	8,432,564
Financial Assets Available for Sale	68,339	1,486,219	4,914,918	4,000,625	15,568,681	6,916,750	32,955,532	6,974,911	25,980,621
Loans	5,329,774	8,486,776	5,041,608	13,792,721	19,256,299	2,372,005	54,279,183	5,944,397	48,334,786
Investments Held to Maturity		3,459	1,792,989	731,653	14,052,669	163,875	16,744,645	3,815,191	12,929,454
Liabilities									
Deposits	11,258,761	45,855,947	11,051,512	4,261,024	84,751		72,511,995	334,932	72,177,063
Funds Provided from Other Financial Institutions		185,881	750,060	4,153,060	5,331,935	339,861	10,760,797	1,016,938	9,743,859
Money Market Funds		6,475,967	2,552,451	1,423,201	270,575	408,521	11,130,715	146,837	10,983,878

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	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

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	245,552	324,374	583,584	935,417	486,840		2,575,767
Endorsements		5,960	23,658	11,920			41,538
Letters of Guarantee	5,508,944	166,582	592,251	2,059,381	1,090,028	148,135	9,565,321
Acceptances	41,332	17,985	36,725	43,501	11,652		151,195
Other	167,452						167,452
Total	5,963,280	514,901	1,236,218	3,050,219	1,588,520	148,135	12,501,273

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	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-Buy	3,461,815		1,216,367	8,647,373	1,682,816	15,008,371
Swaps-Sell	3,432,539		1,234,211	8,589,823	1,682,816	14,939,389
Futures-Buy						
Futures-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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	291,742	304,076	586,811	156,161		1,338,790
Forwards Contracts- Sell	291,626	303,868	586,389	156,020		1,337,903
Swaps-Buy	1,134,812	34,229	302,333	4,246,955	1,189,905	6,908,234
Swaps-Sell	1,144,544	33,821	248,813	4,270,906	1,189,905	6,887,989
Futures-Buy						
Futures-Sell						
Options-Call	663,115	167,404	511,274	426,440		1,768,233
Options-Put	642,115	156,404	496,274	426,440		1,721,233
Other		16,222				16,222
Total	4,167,954	1,016,024	2,731,894	9,682,922	2,379,810	19,978,604

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 451,463 (31.12.2009: TL 334,797) 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	112,381,195	95,677,425	114,303,167	98,019,978
Money Market Placements				
Banks	3,185,118	8,432,564	3,185,207	8,439,838
Financial Assets Available for Sale	31,360,414	25,980,621	31,360,414	25,980,621
Investments Held to Maturity	13,603,985	12,929,454	15,258,935	13,801,721
Loans	64,231,678	48,334,786	64,498,611	49,797,798
Financial Liabilities	98,852,591	83,858,455	98,877,264	84,208,159
Banks Deposits	2,469,384	1,859,020	2,471,769	1,860,610
Other Deposits	85,790,773	70,318,043	85,816,360	70,365,943
Funds Provided from Other Financial Institutions	8,042,442	9,743,859	8,039,143	10,044,073
Marketable Securities Issued				
Miscellaneous Payables	2,549,992	1,937,533	2,549,992	1,937,533

Fair value of investments held to maturity 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	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.

Prior Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	379,579		
Equity Securities	63		
Derivative Financial Assets Held for Trading		119,364	
Other			
Financial Assets Available-for-Sale*			
Debt Securities	15,404,015		10,508,267
Other		55,717	
Investments in Subsidiaries and Associates**	3,347,970		
Derivative Financial Liabilities		486,822	

* 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.

There has not been any transition between level 1 and level 2 during the period.

The movement table of financial assets available-for-sale at level 3 is given below.

	Current Period	Prior Period
Balance at the Beginning of the Period	10,508,267	12,607,114
Purchases	9,611,772	8,375,417
Redemption or Sales	-10,506,305	9,860,015
Valuation Difference	137,214	-614,249
Transfers *	-1,469,225	
Balance at the end of the Period	8,281,723	10,508,267

* They are securities, which are valued at market price depending on their market trading during the current period.

X. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions

1. Transactions in connection with the trading of government bonds and repo intermediation are being carried out on the ISE (Istanbul Stock Exchange) Bond Market in the name and on the account of certain participations and customers with a portfolio larger than a certain size. Furthermore, all securities in customer portfolios are kept under custody. Due to the provisions of the Capital Market Law, the Bank is not able to provide management and consultancy services in connection with transactions on capital markets.
2. 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 (excluding real person merchants) 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.

Services are provided to individuals, real-person merchants and non-trading corporations and institutions within the context of "Retail Banking". The requirements of this customer segment 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							
<i>Interest Income</i>							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
<i>Interest Expense</i>							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

Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							10,200,437
Interest Income from Loans	1,112,604	2,490,166	2,965,067	64,963		131,925	6,764,725
Interest Income from Banks					93,727		93,727
Interest Income from Securities					3,017,404		3,017,404
Other Interest Income					267,415	57,166	324,581
Interest Expense							5,332,949
Interest Expense on Deposits	1,000,227	196,641	1,601,032	1,769,678			4,567,578
Interest Expense on Funds Borrowed					586,219		586,219
Interest Expense on Money Market Transactions					166,190		166,190
Other Interest Expense						12,962	12,962
Net Interest Income							4,867,488
Net Fees and Commissions Income							1,252,604
Fees and Commissions Received	100,640	368,884	503,160	68,812		313,253	1,354,749
Fees and Commissions Paid						102,145	102,145
Dividend Income					325,037		325,037
Trading Income/Loss (Net)					408,373		408,373
Other Income						1,073,275	1,073,275
Prov. For Loans and Other Receivables					64,849	2,221,625	2,286,474
Other Operating Expense	155,740	455,253	1,003,753	50,074		1,029,867	2,694,687
Income Before Tax							2,945,616
Tax Provision							573,209
Net Period Profit							2,372,407
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L					499,006		499,006
Banks and Other Financial Institutions					8,432,564		8,432,564
Financial Assets Available for Sale					25,980,621		25,980,621
Loans	18,487,764	13,766,333	15,585,265	495,424			48,334,786
Investments Held to Maturity					12,929,454		12,929,454
Associates and Subsidiaries					5,031,079		5,031,079
Other						12,015,794	12,015,794
							113,223,304
SEGMENT LIABILITIES							
Deposits	16,339,229	6,355,123	26,509,703	22,973,008			72,177,063
Derivative Financial Liabilities Held for Trading					486,822		486,822
Funds Borrowed					9,743,859		9,743,859
Money Market Funds					10,983,878		10,983,878
Other Liabilities						2,844,352	2,844,352
Provisions						3,493,802	3,493,802
Shareholders' Equity						13,493,528	13,493,528
							113,223,304

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	670,166	253,543	562,958	214,628
Central Bank of Turkey	3,320,095	3,948,880	5,230,494	2,644,965
Other		329,941		106,928
Total	3,990,261	4,532,364	5,793,452	2,966,521

b. Information on Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	3,320,095	1,079,091	5,230,494	883,605
Unrestricted Time Deposit				
Restricted Time Deposit				
Other (*)		2,869,789		1,761,360
Total	3,320,095	3,948,880	5,230,494	2,644,965

(*)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 at the rates of 6% and 11%, respectively (beginning from 4 February 2011 between 5%-12% for TL deposits depending on the maturity, 9% for other TL liabilities). Reserves are calculated and set aside every two weeks on Fridays for 14-day periods in TL for TL liabilities and in US Dollar and/or Euro for FC liabilities. The CBT used to pay interest in quarterly periods for TL reserves at the rates determined by itself, but starting from 1 October 2010, with the amendment to the aforementioned communiqué, the CBT began not to pay interest for TL reserve requirements either, like for the FC 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 2010 are amounting to TL 64 (31 December 2009: TL 72).

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 2010 are amounting to TL 423,401 (31 December 2009: TL 362,023).

c. Positive differences on derivative financial assets held for trading:

Derivative Financial Instruments Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	7,385	59,960	28,514	12,447
Swap Transactions	11,866	169,889	1,084	70,438
Futures				
Options	622	10,986	329	6,552
Other				
Total	19,873	240,835	29,927	89,437

3. Banks:

a. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	12	596,283	3,153	86,379
Foreign Banks	184,277	2,404,546	198,468	8,144,564
Foreign Head Office and Branches				
Total	184,289	3,000,829	201,621	8,230,943

b. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,678,618	6,280,454		
USA, Canada	79,219	861,346	77	75
OECD Countries (*)	557,068	892,124		
Off-shore Banking Regions				
Other	219,385	309,033	54,456	
Total	2,534,290	8,342,957	54,533	75

(*) 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 769,385 as of 31 December 2010. (31 December 2009: TL 2,528,803).

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 8,439,302 as of 31 December 2010. (31 December 2009: TL 7,629,755).

c. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	31,282,151	25,914,573
Traded on the Stock Exchange	23,000,428	15,406,306
Not Traded on the Stock Exchange	8,281,723	10,508,267
Equity Securities	12,622	12,622
Traded on the Stock Exchange		
Not Traded on the Stock Exchange	12,622	12,622
Value Increase / Impairment Losses (-)(*)	14	2,291
Other	65,655	55,717
Total	31,360,414	25,980,621

(*)It is the valuation difference related to financial assets whose costs are above their market values.

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	397,449		336,972	
Total	397,449		336,972	

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	62,651,283	135,964	823,448	620,983
Discount Notes	2,398			
Export Loans	4,260,341		52,555	
Import Loans	159			
Loans Extended to Financial Sector	2,438,798			
Foreign Loans	1,078,080		3,689	
Consumer Loans	14,098,917	276	207,118	95,040
Credit Cards	5,339,136	125,342	75,555	30,059
Precious Metal Loans	10,836			
Other	35,422,618	10,346	484,531	495,884
Specialized Loans				
Other Receivables				
Total	62,651,283	135,964	823,448	620,983

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	22,569,477	23,769	262,095	30,545
Non-Specialized Loans	22,569,477	23,769	262,095	30,545
Specialized Loans				
Other Receivables				
Medium and long-term Loans and Other Receivables	40,081,806	112,195	561,353	590,438
Non-Specialization Loans	40,081,806	112,195	561,353	590,438
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	550,741	12,973,042	155,705	13,679,488
Real Estate Loans	22,647	5,908,077	103,840	6,034,564
Vehicle Loans	35,626	828,912	5,570	870,108
General Purpose Consumer Loans	261,712	4,190,406	32,983	4,485,101
Other Consumer Loans	230,756	2,045,647	13,312	2,289,715
Consumer Loans – FC Indexed		120,925	47,368	168,293
Real Estate Loans		118,634	46,527	165,161
Vehicle Loans		2,291	841	3,132
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	4,801,905	370,906	27,744	5,200,555
With Installments	1,827,248	370,906		2,198,154
Without Installments	2,974,657		27,744	3,002,401
Retail Credit Cards-FC				
With Installments				
Without Installments				
Personnel Loans-TL	18,070	277,821	3,549	299,440
Real Estate Loans	241	75,498	1,762	77,501
Vehicle Loans	216	8,523	63	8,802
General Purpose Consumer Loans	8,420	127,412	1,140	136,972
Other Consumer Loans	9,193	66,388	584	76,165
Personnel Loans- FC Indexed		1,750	514	2,264
Real Estate Loans		1,750	514	2,264
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	81,848		749	82,597
With Installments	31,213			31,213
Without Installments	50,635		749	51,384
Personnel Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (real persons)	244,089		7,777	251,866
Overdraft Accounts – FC (real persons)				
Total	5,696,653	13,744,444	243,406	19,684,503

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	709,064	8,581,916	83,640	9,374,620
Real Estate Loans	2,053	503,238	3,976	509,267
Vehicle Loans	94,642	2,002,098	13,690	2,110,430
General Purpose Commercial Loans	611,244	5,946,760	62,051	6,620,055
Other Commercial Loans	1,125	129,820	3,923	134,868
Commercial Loans With Installments-FC Indexed	27,402	740,522	56,696	824,620
Real Estate Loans		66,740	7,871	74,611
Vehicle Loans	2,905	315,381	22,922	341,208
General Purpose Commercial Loans	24,497	343,707	25,382	393,586
Other Commercial Loans		14,694	521	15,215
Commercial Loans With Installments-FC		49,754	16	49,770
Real Estate Loans				
Vehicle Loans				
General Purpose Commercial Loans				
Other Commercial Loans		49,754	16	49,770
Corporate Credit Cards-TL	286,783	24	133	286,940
With Installments	34,055	24		34,079
Without Installments	252,728		133	252,861
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (corporate)	499,020		18,650	517,670
Overdraft Accounts – FC (corporate)				
Total	1,522,269	9,372,216	159,135	11,053,620

f. Allocation of loans by borrowers:

	Current Period	Prior Period
Public Sector	1,866,916	1,525,045
Private Sector	62,364,762	46,809,741
Total	64,231,678	48,334,786

g. International and domestic loans:

	Current Period	Prior Period
Domestic Loans	63,149,909	47,349,472
International Loans	1,081,769	985,314
Total	64,231,678	48,334,786

h. Loans to subsidiaries and associates:

	Current Period	Prior Period
Direct Lending to Subsidiaries and Associates	300,597	164,571
Indirect Lending to Subsidiaries and Associates		
Total	300,597	164,571

i. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	121,909	1,370,825
Loans and Receivables with Doubtful Collectibility	303,735	474,859
Uncollectible Loans and Receivables	1,981,844	922,512
Total	2,407,488	2,768,196

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)	534	9,259	62,154
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	534	9,259	62,154
Prior Period			
(Gross amounts before the specific provisions)	42,398	15,407	63,183
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	42,398	15,407	63,183

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	1,370,825	474,859	922,512
Corporate and Commercial Loans	786,202	275,211	677,384
Retail Loans	287,644	92,765	97,758
Credit Cards	296,977	86,471	147,370
Other	2	20,412	
Additions (+)	815,084	96,250	76,685
Corporate and Commercial Loans	437,786	37,303	42,728
Retail Loans	169,888	22,383	24,508
Credit Cards	207,389	12,504	9,449
Other	21	24,060	
Transfers from Other NPL categories		1,861,268	1,884,920
Corporate and Commercial Loans		1,062,359	1,106,328
Retail Loans		380,040	379,702
Credit Cards		418,846	398,890
Other		23	
Transfers to Other NPL categories	1,861,268	1,884,920	
Corporate and Commercial Loans	1,062,359	1,106,328	
Retail Loans	380,040	379,702	
Credit Cards	418,846	398,890	
Other	23		
Collections (-)(*)	202,425	239,504	629,439
Corporate and Commercial Loans	99,044	136,518	397,631
Retail Loans	52,431	59,009	142,344
Credit Cards	50,950	43,228	89,464
Other		749	
Write-Offs (-)(*)	307	4,218	272,834
Corporate and Commercial Loans	198	3,811	227,336
Retail Loans	72	176	14,000
Credit Cards	37	114	31,498
Other		117	
Current 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	
Specific Provisions (-)	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	
Net Balance on Balance Sheet			

(*) In the current year, TL 300,401 of the non-performing loan portfolio were transferred to Girişim Varlık Yönetim A.Ş. in exchange for TL 50,828 and TL 41,925 of the portfolio, TL 13,404 of which were composed of formerly written-off receivables, were transferred to LBT Varlık Yönetim A.Ş. in exchange for TL 6,487.

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	2,042		49,447
Specific Provisions (-)	2,042		49,447
Net Balance on Balance Sheet			
Prior Period:			
Period Ending Balance	1,160	1,122	51,078
Specific Provisions (-)	1,160	1,122	51,078
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)	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)			
Prior Period (Net)			
Loans to Individuals and Corporates (Gross)	1,370,823	454,447	922,404
Specific Provisions (-)	1,370,823	454,447	922,404
Loans to Individuals and Corporates (Net)			
Banks (Gross)			108
Specific Provisions (-)			108
Banks (Net)			
Other Loans and Receivables (Gross)	2	20,412	
Specific Provisions (-)	2	20,412	
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 2,010,165 as of 31 December 2010. (31 December 2009: TL 512,671).

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 2,415,107 as of 31 December 2010. (31 December 2009: TL 4,295,249).

c. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	13,586,189	11,597,684
Treasury Bills		
Other Public Debt Securities		
Total	13,586,189	11,597,684

d. Information on investments held-to-maturity:

	Current Period	Prior Period
Debt Securities	13,603,985	12,929,454
Traded on a Stock Exchange	13,586,189	12,914,261
Not Traded	17,796	15,193
Impairment Losses (-)		
Total	13,603,985	12,929,454

e. Movement of the investments held to maturity during the year:

	Current Period	Prior Period
Beginning Balance	12,929,454	3,461,854
Foreign Exchange Differences Arising on Monetary Assets	-129,234	-27,016
Purchases During the Year	2,640,303	11,211,912
Transfers		
Disposals through Sales and Redemption	-2,182,708	-1,678,505
Impairment Losses (-)		
Changes in Amortized Cost of the Investments	346,170	-38,791
Balance at the end of the Year	13,603,985	12,929,454

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 (1)	Shareholders' Equity (1)	Total Tangible Assets (1)	Interest Income (1)(2)	Securities Income (1)	Current Period Profit/Loss (1)	Prior Period Profit/Loss (3)	Fair Value
1-	1,052,300(4)	307,668(4)	23,944(4)	41,103(4)	59(4)	17,245(4)	21,977(5)	-
2-	10,701,426	5,616,756	9,524,353	32,037		-963,655	-1,242,167	-
3-	21,011	15,865	6,737	912		1,465	1,067	-
4-	29,833(3)	22,673(3)	1,764(3)	2,499(3)	9(3)	9,103(3)	6,693(6)	-

- (1) Indicates value as of 31 December 2010.
(2) Includes Interest Income on Securities.
(3) Indicates value as of 31 December 2009.
(4) Indicates value as of 30 September 2010.
(5) Indicates value as of 30 September 2009.
(6) Indicates value as of 31 December 2008.

c. Movement of investments in associates:

	Current Period	Prior Period
Beginning balance	743,262	743,262
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	743,262	743,262
Capital commitments		
Contribution in equity at the end of the period (%)		

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	3,019

- 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.

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	78.07	89.46
4-	Camiş Yatırım Holding A.Ş.	İstanbul/TURKEY	99.97	100.00
5-	İş Finansal Kiralama A.Ş.	İstanbul/TURKEY	27.79	57.33
6-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	42.23	57.67
7-	İş Merkezleri Yönetim ve İşletim A.Ş.	İstanbul/TURKEY	86.33	100.00
8-	İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	İstanbul/TURKEY	94.65	100.00
9-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	65.65	70.69
10-	İşbank GmbH	Frankfurt-Main/GERMANY	100.00	100.00
11-	Kültür Yayınları İş-Türk Limited Şirketi	İstanbul/TURKEY	99.17	100.00
12-	Milli Reasürans T.A.Ş.	İstanbul/TURKEY	76.64	77.06
13-	Mipaş Müessellik İthalat İhracat ve Pazarlama A.Ş.	İstanbul/TURKEY	99.98	100.00
14-	Nemtaş Nemrut Liman İşletmeleri A.Ş.	İzmir/TURKEY	99.81	100.00
15-	Trakya Yatırım Holding A.Ş.	İstanbul/TURKEY	65.34	100.00
16-	Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/TURKEY	40.52	50.00
17-	Türkiye Şişe ve Cam Fabrikaları A.Ş.	İstanbul/TURKEY	68.15	72.04

b. Financial statement information related to subsidiaries in the above order:

Seq. No	Total Assets (1)	Shareholder s' Equity (1)	Total Tangible Assets (1)	Interest Income (1) (2)	Securities Income (1)	Current Period Profit/Loss (1)	Prior Period Profit/Loss (3)	Fair Value
1-	5,003,487(4)	438,914(4)	23,173(4)	5,841(4)	177,919(4)	58,617(4)	79,284(5)	1,340,000
2-	49,956	35,372	6,648	286		480	-3,111	
3-	136,774(6)	2,572(6)	97,490(6)	6(6)	3(6)	-30,346(6)	-17,764(1)	
4-	94,041	94,041		2	6,229	6,217	3,422	
5-	2,093,398(6)	475,961(6)	1,532(6)	57,615(6)	2,960(6)	63,702(6)	105,388(1)	410,050
6-	1,096,242(6)	990,021(6)	1,005,994(6)	6,166(6)	871(6)	60,918(6)	60,299(1)	792,000
7-	27,912	14,670	986	1,256	246	8,402	2,605	
8-	23,926	20,378	7,165	452	641	1,496	1,170	
9-	3,280,609(4)	546,672(4)	9,261(4)	137,389(4)	21,489(4)	66,980(4)	94,777(5)	522,000
10-	1,624,469(6)	148,765(6)	33,690(6)	64,295(6)		10,086(6)	9,589(1)	
11-	6,955	2,761	188		13	376	263	
12-	1,618,717(6)	811,963(6)	48,174(6)	76,449(6)	51,682(6)	78,301(6)	91,705(1)	
13-	24,945	24,916	1,279	200	240	174	928	
14-	371,735(6)	247,537(6)	220,671(6)	61(6)	433(6)	1,735(6)	13,496(1)	
15-	436,493	436,493			63	51	131	
16-	8,362,560(6)	1,398,521(6)	240,039(6)	458,918(6)	5,814(6)	227,755(6)	260,898(1)	1,827,000
17-	6,569,407(4)	3,923,150(4)	3,255,520(4)	35,897(4)	5,887(4)	309,213(4)	63,179(5)	3,111,680

(1) Indicates values as of 31 December 2009. (2) Includes Interest Income on Securities. (3) Indicates value as of 31 December 2008. (4) Indicates values as of 30 September 2010. (5) Indicates values as of 30 September 2009. (6) Indicates values as of 31 December 2010.

c. Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	4,287,817	2,352,245
Movements in the Period		
Purchases (*)	353,756	231,905
Bonus Shares Acquired	26,692	
Dividends Received from the Current Year Profit		
Sales	-280,915	
Revaluation Surplus (**)	1,133,427	1,768,463
Impairment		-64,796(***)
Balance at the End of the Period	5,520,777	4,287,817
Capital Commitments		
Contribution in equity at the end of the period (%)		

(*) Also includes the acquisitions related to capital increases through retained earning.

(**) The relevant amounts represent the increases and decreases in the market value of participations traded on the stock exchange.

(***)The amount of provisions set aside within the scope of the appraisal report prepared on Antgıda Tarım Turizm Enerji ve Demir Çelik Sanayi Ticaret A.Ş.

d. Sectoral information on financial subsidiaries and the related carrying amounts:

Subsidiaries	Current Period	Prior Period
Banks	790,240	481,498
Insurance Companies	1,209,520	1,244,040
Factoring Companies		
Leasing Companies	114,790	72,265
Finance Companies		262
Other Financial Subsidiaries	677,797	545,936
Total	2,792,347	2,344,001

e. Subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	4,514,626	3,347,970
Traded on international stock exchanges		
Total	4,514,626	3,347,970

f. Subsidiaries disposed of in the current period:

- The Bank's 35.53% share in the capital of Anadolu Anonim Türk Sigorta Şirketi amounting to TL 500,000 with a nominal value of TL 177,650 was sold to Milli Reasürans T.A.Ş. The sale of shares was priced by the weighted average price method at the ISE Wholesale Market and the sales amount of TL 248,710 was collected in cash. TL 9,199 sales profit was generated as a result of the sales process.
- The Bank's 31.57% share in the capital of Çayırova Cam Sanayii A.Ş. amounting to TL 9,397, with a nominal value of TL 2,966 was sold to Türkiye Şişe ve Cam Fabrikaları A.Ş. at a price amounting to TL 83,017 and the sales amount was collected in cash. TL 77,377 sales profit was generated as a result of the sales process.
- The Bank's 78.46% share in the capital of Camiș Madencilik A.Ş. amounting to TL 20,142, with a nominal value of TL 15,804 was sold to Türkiye Şişe ve Cam Fabrikaları A.Ş. at a price amounting to USD 56,100,762 (full amount) and the sales amount was collected in cash. TL 47,528 sales profit was generated as a result of the sales process.
- The liquidation of İş Dublin Financial Services Plc (in Liquidation) was finalized and the company became disincorporated.

g. Subsidiaries acquired in the current period:

The Bank purchased the shares of Türkiye Şişe ve Cam Fabrikaları A.Ş. with a total nominal value of TL 46,259, which were held by Trakya Cam San. A.Ş., Çayırova Cam San. A.Ş., Paşabahçe Cam San. Ve Tic. A.Ş., Paşabahçe Eskişehir Cam San. Ve Tic. A.Ş., Cam Elyaf San. A.Ş. and Camiș Madencilik A.Ş. The Bank paid TL 111,947 at the ISE Wholesale Market in cash. After the purchase, the Bank's 64.11% share in the capital of Türkiye Şişe ve Cam Fabrikaları A.Ş. increased to 68.15%.

h. Other:

As per the resolution of the Bank's Board of Directors dated 25 October 2010, the Share Purchase Agreement regarding the purchase of % 100 shares of Closed Joint Stock Company Bank Sofia operating in Russia was signed. Necessary authorization on the subject has been granted by the Banking Regulation and Supervision Agency and the Russian Government Commission and the share transfers shall be realized following the permission of the Russian Central Bank. Conditions for acquisition and information on the aforementioned bank were announced to public by a material disclosure on 25 October 2010.

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):

	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Current Period					
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

* As of the balance sheet date 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 89,936 (2009: TL 62,956).

** They are the impairment releases related to the real estates whose fair values have increased due to their renewed appraisals.

	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Prior Period					
Acquisition Cost					
Balance at the Beginning of the Period	3,575,540	70,209	15,499	954,424	4,615,672
Movements in the Period					
- Additions	54,286	32,312	2,195	147,233	236,026
- Disposals	-108,782	-2,178	-2,163	-25,764	-138,887
- Transfers	43,042	-38,803			4,239
- Impairment Release (-)	-3,046				-3,046
Balance at End of Current Period	3,561,040	61,540	15,531	1,075,893	4,714,004
Accumulated Depreciation					
Balance at the Beginning of the Period	-2,128,102		-7,989	-601,109	-2,737,200
Movements in the Period					
- Depreciation Charge	-51,835		-2,734	-93,972	-148,541
- Disposals	17,820		2,082	13,565	33,467
- Transfers	262				262
- Impairment Release (-)					
Balance at the End of Current Period	-2,161,855		-8,641	-681,516	-2,852,012
Net Book Value at the End of Prior Period	1,447,438	70,209	7,510	353,315	1,878,472
Net Book Value at the End of Current Period	1,399,185	61,540	6,890	394,377	1,861,992

As of the balance sheet date the book value of tangible assets purchased through finance lease amounts to TL 52,045 (2008: TL 97,453). The additions in the current period are TL 88 (2008: TL 14,275). The book value of tangible assets acquired during the period due to receivables is TL 62,956.

13. Information on Intangible Assets:

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	133,618	112,165
Movements in the Period	45,942	21,453
- Acquired	45,942	21,453
- Disposed (-)		
- Impairment		
Balance at the End of the Period	179,560	133,618
Accumulated Amortization		
Balance at the Beginning of the Period	100,864	55,491
Movements in the Period	46,077	45,373
- Amortization Charge (-)	46,077	45,373
- Disposed		
- Impairment		
Balance at the End of the Current Period	146,941	100,864
Net Book Value at the End of the Prior Period	32,754	56,674
Net Book Value at the End of the Period	32,619	32,754

14. Information on investment property: None.

15. Information on deferred tax asset:

The Bank has TL 715,338 deferred tax asset as of 31 December 2010. 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 2010, the Bank does not have any deferred tax asset arising from either carry forward losses or tax rebates.

	Current Period	Prior Period
Deferred Tax (Asset)/Liability:		
Tangible Assets Base Differences	25,749	25,011
Provisions (*)	-395,512	-332,750
Valuation of Financial Assets	-358,152	-202,780
Other	12,577	
Net Deferred Tax (Asset)/Liability:	-715,338	-510,519

(*) *Comprises 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	510,519	340,289
Deferred Tax Benefit / (Charge) (Net)	212,223	210,258
Deferred Tax Recognized under Equity	-7,404	-40,028
Deferred Tax Asset	715,338	510,519

16. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Balance at the Beginning of the Period	27,273	17,674
Additions	54,525	27,290
Transfers (Net)	7,769	-4,501
Disposals (Net)	-35,042	-13,173
Impairment Losses (-)		
Amortization	-570	-17
Balance at the End of the Period	53,955	27,273

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	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

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	3,338,969		15,914,795	9,273,682	708,481	466,735	335,613		30,038,275
Foreign Currency Deposits	4,295,737		9,592,029	8,253,769	851,525	1,121,030	2,205,989		26,320,079
Residents in Turkey	4,130,871		9,065,682	7,984,478	709,280	603,845	1,544,407		24,038,563
Residents Abroad	164,866		526,347	269,291	142,245	517,185	661,582		2,281,516
Deposits of Public Institutions	286,394		87,419	281,271	3,363		12,194		670,641
Commercial Deposits	2,829,524		1,700,936	2,919,136	391,335	32,177	707,583		8,580,691
Other Institutions Deposits	197,317		1,062,704	2,994,142	12,642	740	328,117		4,595,662
Precious Metals Deposits	112,695								112,695
Interbank Deposits	198,125		516,554	894,874	205,026	2,989	41,452		1,859,020
The Central Bank of Turkey	62,546								62,546
Domestic Banks	9,538		111,701	500,793			1,108		623,140
Foreign Banks	124,244		404,853	394,081	205,026	2,989	40,344		1,171,537
Participations Banks	1,797								1,797
Other									
Total	11,258,761		28,874,437	24,616,874	2,172,372	1,623,671	3,630,948		72,177,063

- 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	16,526,269	13,768,529	21,470,358	16,015,035
Foreign Currency Savings Deposits	5,936,695	5,999,584	11,306,743	11,005,466
Other Deposits in the Form of Savings Deposits				
Foreign Branches' Deposits Under Foreign Authorities' Insurance	604,575	600,848	65,303	65,140
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			67,171	51,867

- 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	132,474	117,007
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	8,689	7,175
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	7,868	57,125	303	39,504
Swap Transactions	385,134	228,312	324,706	109,879
Futures				
Options	430	38,407	293	12,137
Other				
Total	393,432	323,844	325,302	161,520

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	111,052	127,813	139,928	161,485
Funds borrowed from Foreign banks, institutions and funds		7,803,577	2,255,262	7,187,184
Total	111,052	7,931,390	2,395,190	7,348,669

b. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	108,183	4,036,524	139,928	2,995,027
Medium and Long-term	2,869	3,894,866	2,255,262	4,353,642
Total	111,052	7,931,390	2,395,190	7,348,669

c. Concentration of the liabilities of the Bank:

67% of the Bank's liabilities are comprised of deposits, 8% are of funds obtained through repurchase transactions and 6% are 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.

4. Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

5. Information on lease payables (net):

a. Finance lease contracts are signed with purchasing options and the payments are made in equal installments. There has not been any change in finance lease contracts during the current and previous periods.

b. Liabilities resulting from finance lease transactions:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	3,405	3,164	16,193	14,949
1-4 Years	9	4	3,302	3,065
More Than 4 Years				
Total	3,414	3,168	19,495	18,014

c. Information on operating lease transactions: Transactions related to operating lease are accounted on accrual basis.

d. Sale and lease-back transactions: None.

6. Information on derivative financial liabilities held for risk management:

The Bank does not have any derivative financial liabilities held for risk management purposes.

7. Information on provisions:

a. Information on general loan loss provisions:

	Current Period	Prior Period
General Loan Loss Provisions	699,489	504,551
Provision for Group I Loans and Receivables	533,110	301,034
Provision for Group II Loans and Receivables(*)	29,786	44,733
Provision for Non-cash Loans	76,626	52,956
Other	59,967	105,828

(*)Also includes general provision for Group II Non-cash Loans.

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 one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits, which is TL 2,623.23 (full TL amount as of 1 January 2011). The Bank books provisions for employee termination benefits by calculating the present value of potential liabilities. The Bank's liabilities for employee termination benefits have been determined by an actuarial report prepared by an independent valuations firm and within this context, the provision set aside and shown in the financial statements as of 31 December 2010 stands at TL 202,048 (31 December 2009: TL 150,371).

The main actuarial assumptions used in the calculation of the employee termination benefits:

- the discount rate used for the current year is 4.66%.
- TL 2,623.23 salary ceiling, which was effective as at 1 January 2011 was taken into account in the current year calculations.
- it is assumed that the amount of the salary ceiling will increase each year in line with the inflation rate.
- 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	150,371	133,002
Service Cost	11,395	9,407
Interest Cost	14,135	13,186
Benefits paid	-11,348	-19,240
Loss/(Gain) due to Settlements / Reductions / Terminations	343	258
Actuarial loss/(gain)	37,152	13,758
Defined benefit obligation at the end of the period	202,048	150,371

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 2010 stands at TL 18,059 (31 December 2009: TL 15,209).

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 2010, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 3,469 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 151,902 provision (31 December 2009: TL 190,801) 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 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 2010 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 1,318,245. Additional provision was allocated for TL 22,260, which is the difference between the above mentioned deficit amount and the TL 1,295,985 provision, which was allocated 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 2010, 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 2010, 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	(3,401,547)	(2,922,287)
Net Present Value of Long Term Insurance Line Premiums	1,437,212	1,254,471
Net Present Value of Total Liabilities Other Than Health	(1,964,335)	(1,667,816)
Net Present Value of Health Liabilities	(438,786)	(398,851)
Net Present Value of Health Premiums	855,484	613,297
Net Present Value of Health Liabilities	416,698	214,446
Pension Fund Assets	229,392	157,385
Amount of Actuarial and Technical Deficit	(1,318,245)	(1,295,985)

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	164,851	104,361
Securities Portfolio	52,569	43,975
Other	11,972	9,049
Total	229,392	157,385

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.

8. 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 221,008 as of 31 December 2010.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	221,008	172,428
Tax on Securities Income	73,024	72,215
Tax on Real Estate Income	1,516	1,215
Banking Insurance Transaction Tax	36,466	38,225
Foreign Exchange Transaction Tax	22	25
Value Added Tax Payable	553	481
Other	17,830	15,134
Total	350,419	299,723

a.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	35	31
Social Security Premiums - Employer	41	36
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	600	490
Unemployment Insurance - Employer	1,202	979
Others		
Total	1,878	1,536

b. Information on deferred tax liabilities:

None.

9. Information on payables for assets held for sale and discontinued operations:

None.

10. Subordinated loans used by the Bank:

None.

11. Information on shareholders' equity:

a. Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,499,970	3,079,609
Preferred shares	30	30
Total	4,500,000	3,079,639

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:

Date of Increase	Increased Amount	Cash	Profit Reserves Subject to Increase	Capital Reserves Subject to Increase
4 January 2010	1,420,361	-	1,057,425	362,936

d. Information on capital increase through transfer from capital reserves during the current period:

Marketable Securities Revaluation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures)	Other
		1,383	361,553*

* Paid-in-Capital Inflation Adjustment

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 on a continuously rising 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	2,286,085		1,152,658	
Valuation Difference	2,286,085		1,152,658	
Foreign Exchange Differences				
Financial Assets Available for Sale	173,694	55,435	136,163	36,135
Valuation Difference	215,138	55,435	170,203	36,135
Deferred Tax Effect on Valuation	-41,444		-34,040	
Foreign Exchange Differences				
Total	2,459,779	55,435	1,288,821	36,135

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 13,428,946. The Bank has project loans commitments amounting to TL 1,028,849, which are yet to be utilized. The amount of commitment for the forward purchase of assets is TL 1,129,622 and for the forward sale of assets is TL 1,125,211.

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	211,538	151,195
Letters of Credit	3,105,943	2,575,767
Other Guarantees	339,787	208,990
Total	3,657,268	2,935,952

b.2. Definite guarantees, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Provisional Letters of Guarantee	531,378	332,779
Definite Letters of Guarantee	8,746,294	7,130,630
Advance Letters of Guarantee	1,629,506	1,507,720
Letters of Guarantee Addressed to Customs	523,800	333,680
Other Letters of Guarantee	194,357	260,512
Total	11,625,335	9,565,321

c. 1. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	178,890	245,507
With Original Maturity of 1 Year or Less	65,655	77,408
With Original Maturity More Than 1 Year	113,235	168,099
Other Non-cash Loans	15,103,713	12,255,766
Total	15,282,603	12,501,273

c. 2. Sectoral Risk Concentration of Non-cash Loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	85,956	1.32	21,708	0.25	91,111	1.80	6,874	0.09
Farming and Raising Livestock	41,670	0.64	21,708	0.25	43,269	0.86	6,192	0.08
Forestry	42,884	0.66			46,225	0.91	461	0.01
Fishery	1,402	0.02			1,617	0.03	221	0.00
Industry	2,029,583	31.03	4,216,454	48.24	1,388,159	27.43	3,610,387	48.51
Mining and Quarrying	68,219	1.04	72,721	0.83	46,492	0.92	79,953	1.07
Manufacturing	1,613,587	24.67	3,244,855	37.12	1,144,723	22.62	2,706,073	36.36
Electricity, Gas, Water	347,777	5.32	898,878	10.29	196,944	3.89	824,361	11.08
Construction	764,308	11.68	1,022,071	11.69	533,339	10.54	878,111	11.80
Services	3,597,477	54.99	2,206,153	25.24	2,934,413	58.00	1,750,269	23.53
Wholesale and Retail Trade	2,410,990	36.86	1,345,446	15.39	2,013,098	39.79	1,153,498	15.50
Hotel and Restaurant Services	85,046	1.30	12,157	0.14	79,809	1.58	12,891	0.17
Transportation and Communication	231,230	3.53	359,364	4.11	246,662	4.88	156,363	2.10
Financial Institutions	518,305	7.92	251,770	2.88	303,991	6.01	188,703	2.54
Real Estate and Rental Services	163,514	2.50	174,031	1.99	126,231	2.49	182,129	2.45
Self-Employed Services	135,109	2.07	43,521	0.50	116,439	2.30	26,532	0.36
Educational Services	12,706	0.19	10,116	0.12	11,574	0.23	17,508	0.24
Health and Social Services	40,577	0.62	9,748	0.11	36,609	0.72	12,645	0.17
Others	64,346	0.98	1,274,547	14.58	112,649	2.23	1,195,961	16.07
Total	6,541,670	100.00	8,740,933	100.00	5,059,671	100.00	7,441,602	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	6,476,805	8,620,471	64,865	120,462
Letters of Guarantee	6,471,087	4,985,399	64,865	103,984
Bank Acceptances	3,922	193,620		13,996
Letters of Credit		3,103,461		2,482
Endorsements		30,582		
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	1,796	307,409		

2. Information on Derivative Financial Instruments:

Majority of the Bank's derivative transactions comprise currency and interest rate swaps, forward foreign exchange trading and currency trading 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 Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39).

3. Explanations Related to Contingencies and Commitments:

Total 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 stands at TL 2,888,790 and it is followed under “Other Irrevocable Commitments” account. TL 4,323,938 which is the liability of the Bank regarding the checks given to customers is presented under off balance sheet commitments, as per Law nr. 3167. In case the cheques presented for payment to beneficiaries are not covered, as per the “Communiqué on Notifying and Announcing the Decisions on the Printed Form of Cheque Books, the Amounts that the Banks are Obligated to Pay the Bearers, Issuing Cheques and Prohibits for Opening Cheque Accounts”, which came into effect after being published in the Official Gazette dated 20 January 2010, the Bank will be obliged to pay the uncovered amount up to TL 545 (exact amount) for the cheques printed prior to this communiqué and up to TL 655 (exact amount) for the cheques printed according to this communiqué. 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.

5. Other Issues:

With the “Communiqué Emendating the Communiqué on Uniform Code of Accounts and Prospectus”, which was published in the Official Gazette dated 11 December 2009 and nr. 27429, the TL and FC accounts of “Our Commitments for Reserve Deposit Requirements” have been removed from the Uniform Code of Accounts. It was decided that until 30 June 2010 the banks should adapt to the amendments made by the related communiqué. Within this framework, the related accounts were ceased to be used during the current period and for the comparison purposes the prior period figures in the Off-Balance Sheet Items table were amended by way of ridding the related accounts.

IV. EXPLANATIONS AND NOTES 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	2,116,537	135,680	2,741,005	166,538
Medium and Long-term Loans	2,909,977	545,832	3,214,120	511,137
Interest on Non-performing Loans	239,703	59	131,843	82
Premiums Received from State Resource Utilization Support Fund				
Total	5,266,217	681,571	6,086,968	677,757

* 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	342	466	373	250
Foreign Banks	9,936	33,422	14,511	78,593
Foreign Head Offices and Branches				
Total	114,543	33,888	14,884	78,843

* It is the interest received on Turkish Lira Reserve Deposits restored on an average basis at the CBT and as per the provisions of the "Communiqué Emending the Communiqué on Uniform Code of Accounts and Prospectus", which was published in the Official Gazette dated 11 December 2009 and nr. 27429, it is classified under the "Interest Received from Banks" account.

1.c. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Financial Assets Held for Trading	40,601	97	69,533	20
Interest Income on Financial Assets at Fair Value through Profit and Loss				
Interest Income on Financial Assets Available for Sale	1,549,519	444,629	1,332,147	623,749
Investments Held to Maturity	1,629,316	2,880	991,308	647
Total	3,219,436	447,606	2,392,988	624,416

1.d. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	7,154	10,642

2.a. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	356,510	115,475	395,730	114,857
Central Bank of Turkey				
Domestic Banks	10,494	4,382	26,195	5,987
Foreign Banks	346,016	111,093	369,535	108,870
Foreign Head Offices and Branches				
Other Institutions		39,192		75,632
Total (*)	356,510	154,667	395,730	190,489

(*) 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	95,190	122,596

2.c. Information on interest paid to marketable securities issued:

None.

2.d. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year		
TL								
Bank Deposits	788	24,347	49,205	246	1,355			75,941
Savings Deposits	6,914	1,512,896	899,799	56,364	24,427	31,702		2,532,102
Public Sector Deposits	243	10,176	9,707	452		1,069		21,647
Commercial Deposits	2,834	227,234	311,736	15,478	1,351	486		559,119
Other Institutions Deposits	418	129,168	329,712	67,628	61	47		527,034
Deposits with 7 Days Notice								
Total	11,197	1,903,821	1,600,159	140,168	27,194	33,304		3,715,843
FC								
Foreign Currency Deposits	477	225,802	191,622	29,133	8,117	76,103		531,254
Bank Deposits	4	3,279	5,169	629	31	2,481		11,593
Deposits with 7 Days Notice								
Precious Metals Deposits								
Total	481	229,081	196,791	29,762	8,148	78,584		542,847
Grand Total	11,678	2,132,902	1,796,950	169,930	35,342	111,888		4,258,690

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	543	1,547
Other	368,667	323,490
Total	369,210	325,037

4. Information on trading income/losses (Net):

	Current Period	Prior Period
Profit		
Securities Trading Gains	515,302	425,132
Gains on Derivative Financial Instruments	2,753,087	2,069,283
Foreign Exchange Gains	51,117,861	48,349,046
Losses (-)		
Securities Trading Losses	892	834
Losses on Derivative Financial Instruments	2,824,133	1,728,889
Foreign Exchange Losses	51,426,595	48,705,365
Trading Income /Losses (Net)	134,630	408,373

The profit amount arising from foreign currency changes related to derivative transactions stands at TL 2,362,784, the loss amount stands at TL 1,801,277 and the amount of net profit is TL 561,507 (31 December 2009 profit: TL 1,845,440, loss: TL 1,129,835).

5. Information on other operating income:

An important part of the other operating income is composed of collections and reversals of the provisions set aside in prior years for various reasons mainly for non-performing loans. The rest of the related income is composed of sales profit from the sale of associates, subsidiaries and tangibles assets and 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	769,520	1,471,079
Group III Loans and Receivables	568,535	1,295,443
Group IV Loans and Receivables	33,590	35,730
Group V Loans and Receivables	167,395	139,906
General Loan Provision Expenses	234,456	70,263
Provision Expenses for Potential Risks		292,000
Marketable Securities Impairment Losses	100	53
Financial Assets at Fair Value through Profit and Loss	100	53
Financial Assets Available for Sale		
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity		64,796
Investment in Associates		
Subsidiaries		64,796
Jointly Controlled Entities		
Investments Held to Maturity		
Others	131,373	388,283
Total	1,135,449	2,286,474

7. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1,625,420	1,404,808
Reserve for Employee Termination Benefits	51,677	17,369
Bank Pension Fund Deficit Provisions	22,260	19,547
Impairment Losses on Tangible Assets	36,433	
Depreciation Expenses of Tangible Assets	145,245	139,874
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	46,077	45,373
Impairment Losses on Share of Participations Accounted for Using the Equity Method		
Impairment Losses on Assets to be Disposed	1,039	3,073
Depreciation Expenses of Assets to be Disposed	6,033	8,667
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	905,425	816,030
Operating Lease Expenses	128,237	116,374
Repair and Maintenance Expenses	16,852	18,256
Advertisement Expenses	133,191	100,822
Other Expenses	627,145	580,578
Loss on Sale of Assets	30,650	19,073
Other	332,864	220,873
Total	3,203,123	2,694,687

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 4,581,875, net fee and commission income of TL 1,236,425 and the other operation expenses amount to TL 3,203,123.

9. Information on provision for taxes including taxes from continuing and discontinued operations

As of 31 December 2010 the Bank's total tax provision of TL 570,642 consists of current tax expense of TL 782,865 and deferred tax income of TL (212,223).

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 2,982,210.

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 2010-31 December 2010.
- 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 are composed of fees and commissions received from credit card operations and various banking operations, mainly from 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 1,444,476 and the balance of extraordinary reserves is TL 3,941,296.

In the current period, the change in other reserves item is a result of the conversion losses of foreign branches.

The details of revaluation surplus of securities are shared in the Note nr. V-II-11-h. TL (41,444) of this amount is the deferred tax effect on available for sale securities (31 December 2009: TL 34,040).

VI. EXPLANATIONS AND NOTES ON THE STATEMENT OF CASH FLOWS

The operating profit of TL 3,568,851 before the changes in operating assets and liabilities consists of TL 9,786,662 of interest received predominantly from loans and securities, and TL 5,340,153 of interest paid predominantly on deposits, interbank money market transactions and funds borrowed by the Bank.

The effect of changes in foreign exchange rates on cash and cash equivalents is approximately TL (70,624) as of 31 December 2010. (31 December 2009: TL -21,989).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, interbank money market transactions 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 31.12.2009	Prior Period 31.12.2008
Cash	6,967,878	9,974,710
Cash in TL and Foreign Currency	777,586	583,883
Central Bank of Turkey and Other	6,190,292	9,390,827
Cash Equivalents	6,132,582	4,349,655
Banks' Demand Deposits and Time Deposits Up to 3 Months	6,132,582	4,349,655
Total Cash and Cash Equivalents	13,100,460	14,324,365

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 31.12.2010	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
Total Cash and Cash Equivalents	8,778,038	13,100,460

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	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

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	328,466	1,067,977	1	9	318,534	110,846
Balance at the end of the period	162,500	1,381,322		10	444,192	102,324
Interest and commission income received	10,642	517			29,920	1,310

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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	1,514,269	1,722,749	237,295	152,957	882,232	290,005
Balance at the end of the period	1,218,847	1,514,269	840,520	237,295	1,370,925	882,232
Interest expense on deposits	91,290	120,544	37,588	12,112	59,023	28,360

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	41,148				
End of the period		3,581			10,200	
Total Profit/ Loss	95	-2,579			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 1.33%, while the ratio to the overall assets is 0.65%; the ratio of deposits of the risk group corporations to the overall deposits is 3.89%, while the ratio to overall liabilities is 2.60%. 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 Sigorta A.Ş. 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 37 mutual funds, which were founded by the Bank, 20 of them are managed by İş Portföy Yönetimi A.Ş. and 17 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 2010 amount to TL 13,740 (31 December 2009: TL 14,074).

VIII. EXPLANATIONS ON THE BANK’S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND REPRESENTATIVE OFFICES

	Number	Employees		Total Assets	Legal Capital
Domestic Branches (*)	1,127	23,750			
			Country of Incorporation		
Foreign Representative Offices	1	1	People’s Republic of China		
	1	1	Egypt		
Foreign Branches	1	29	England	2,630,410	240
	13	154	TRNC	733,951	30,522
Off-Shore Branches	1	9	Bahrain	21,878,722	

(*)The Branches located in Free Trade Zones in Turkey are included among domestic branches.

IX. EXPLANATIONS AND FOOTNOTES ON THE ISSUES ARISED AFTER THE BALANCE SHEET DATE

1. Within the framework of the resolution of the Bank’s Board of Directors dated 8 September 2010 on the issuance of USD bonds for further selling them to individuals and corporate that are resident outside Turkey, the bonds have been registered on 4 November 2010 by the Capital Markets Board upon the application made. Within this context, underwriting contract was signed on 27 January 2011 and demands were collected from investors and bonds were issued with a nominal amount of USD 500 million. The 5 year-term bonds with 5.1% coupon interest rate and with the redemption date as 1 February 2016, had 5.3% earnings yield.

2. On 30 November 2010, the Bank’s Board of Directors made a resolution on the domestic issuance of TL denominated banking bills and/or bonds up to TL 5 billion with different maturities. Upon the applications made within this context, the Banking Regulation and Supervision Agency notified the Bank of its approval and the related bills and/or bonds have been registered by the Capital Markets Board. Following these developments, on 28 January 2011 the Bank’s Board of Directors made a resolution on the issuance of banking bills with a nominal value of TL 500 million and banking bonds with a nominal value of TL 600 million by way of public offering. The issuing operations were completed by the end of the demand collection process on 2-3-4 February 2011 and the related bills and bonds, whose redemption dates are 3 August 2011 and 7 March 2012, respectively, had earnings yields at 7.5% and 8.43%.

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 credit quality 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 has good credit quality.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB-	Positive	At investment level. Shows good credit quality. It is one notch above the country rating.
Long-term Local Currency Issuer Default Rating	BBB-	Positive	At investment level. Shows good credit quality. 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).
Individual Rating	C	-	Indicates that the Bank's stand-alone financial strength is 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 very 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: 1 December 2010, 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 year end financial statements and footnotes to be disclosed to public as of 31 December 2010 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 it was noted in their report dated 14 February 2011 that except for the effect of the matter described in the fourth paragraph on the financial statements, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2010 and the result of its operations.

II. EXPLANATIONS AND NOTES 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.

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