



TÜRKİYE İŞ BANKASI A.Ş.
US\$400,000,000 7.850% Subordinated Notes due 2023

Türkiye İş Bankası A.Ş., a banking institution organized as a public joint stock company under the laws of Turkey and registered with the İstanbul Trade Registry under number 431112 (the “Bank” or “Issuer”), is issuing US\$400,000,000 7.850% Subordinated Notes due 2023 (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 (other than Ireland as described below) any other jurisdiction, and are being offered: (a) for sale (the “US Offering”) to qualified institutional buyers only (each a “QIB”) as defined in, and in reliance upon, Rule 144A under the Securities Act (“Rule 144A”) and (b) for sale to non-US persons in offshore transactions (the “International Offering” and, with the US Offering, the “Offering”) in reliance upon Regulation S under the Securities Act (“Regulation S”). For a description of certain restrictions on sale and transfer of investments in the 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 10 OF THIS OFFERING CIRCULAR.

Interest on the Notes will be paid in arrear on the 10th day of each June and December; *provided* that if any such date is not a Payment Business Day (as defined in Condition 6.4), then such payment will be made on the next Payment Business Day. Principal of the Notes is scheduled to be paid on December 10, 2023 (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.” Upon the occurrence of an event under Condition 7.2 (*Redemption for Taxation Reasons*) or a Capital Disqualification Event (as defined in Condition 7.3 (*Redemption upon a Capital Disqualification Event*)) in the “Terms and Conditions of the Notes,” the Issuer may, at its option, redeem all, but not some only, of the Notes at their principal amount, together with unpaid interest accrued to but excluding the date of redemption. Any such redemption is subject to certain conditions. See Condition 7 (*Redemption and Purchase/Assignment*) in the “Conditions of the Notes.”

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

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

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

The Notes are expected to be rated at issuance “BBB-” by Fitch Ratings Ltd. (“Fitch”) and “Ba1” 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 Bank, as set out on pages 122 and 123 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 BNP Paribas, Commerzbank Aktiengesellschaft, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Standard Chartered Bank (each an “Initial Purchaser” and, collectively, the “Initial Purchasers”), subject to their acceptance and right to reject orders in whole or in part. It is expected that: (a) delivery of the Rule 144A Notes (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 December 10, 2013 (*i.e.*, the fifth 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+5”)), and (b) delivery of the Regulation S Notes (as defined below) will be made in book-entry form only through the facilities of Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”), against payment therefor in immediately available funds on the Issue Date.

Joint Lead Managers

BNP PARIBAS

Commerzbank

J.P. Morgan

Morgan Stanley

Standard Chartered Bank

The date of this Offering Circular is December 6, 2013.

This Offering Circular comprises a prospectus for: (a) the purpose of Article 5 of the Prospectus Directive and (b) the purpose of giving information with regard to the Bank and the 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 document does not constitute a prospectus for the purpose of Section 12(a) (2) of, or any other provision of or rule under, the Securities Act.

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.

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

To the fullest extent permitted by law, none of the Initial Purchasers accepts any responsibility for the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank in connection with the Notes or for any statement inconsistent with this Offering Circular made, or purported to be made, by an Initial Purchaser or on its behalf in connection with the Notes. Each Initial Purchaser accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements.

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.

Neither this Offering Circular nor any other information supplied in connection with the Notes: (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Bank or any of the Initial Purchasers that any recipient of this Offering Circular or any other information supplied in connection with the Notes should invest in the Notes. Each investor contemplating investing in the Notes should: (i) determine for itself the relevance of the information contained or incorporated in this Offering Circular, (ii) make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank and (iii) make 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, in each case based upon such investigation as it deems necessary. Neither this Offering Circular nor any other information supplied in connection with the issue of the Notes constitutes an offer or invitation by or on behalf of the Bank or any of the Initial Purchasers to any person to subscribe for or to purchase any Notes (or beneficial interests therein).

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof (or, with respect to information stated herein to be as of an earlier date, subsequent to such date) or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

None of the Bank, the Initial Purchasers or any of their respective counsel or other representatives is making any representation to any offeree or purchaser of the 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.

GENERAL INFORMATION

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

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

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

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement,
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio,
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency,
- (d) understands thoroughly the terms of the Notes and is familiar with the behavior of financial markets, and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Bank has obtained: (a) the CMB approval (dated March 19, 2013 No. 29833736-105.03.01-769 (2768) (the “CMB Approval”), (b) the letter of the Banking Regulatory and Supervisory Agency (the “BRSA”) (dated January 17, 2013 and numbered 20008792.44.2-1497) approving the issuance of the Notes outside of Turkey provided that the Notes are offered and sold to real persons and legal entities domiciled outside Turkey (the “BRSA Approval”) and (c) the letter from the BRSA (dated December 2, 2013 and numbered 20008792.44.1-29888) approving the qualification of the Notes as secondary subordinated debt instruments and, accordingly, treatment of the Notes as Tier 2 capital of the Bank as long as they comply with the requirements of the Regulation on the Equity of Banks (published in the Official Gazette dated November 1, 2006 and numbered 26333), as amended (the “2006 BRSA Regulation”). In addition to the CMB Approval, a tranche issuance certificate (*tertip ihraç belgesi*) in respect of the Notes is also required to be obtained by the Bank prior to the issue date of the Notes. Pursuant to the CMB Approval and the BRSA Approval, the offer, sale and issue of the Notes has been authorized and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, “Decree 32”), the Banking Law numbered 5411 and its related legislation, the Capital Markets Law numbered 6362 and Communiqué No. II-31.1 on Debt Instruments (the “Communiqué on Debt Instruments”) or its related regulation.

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval and the BRSA Approval. Under the CMB Approval, the CMB has authorized the offering, sale and issue of the Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made by way of public offering or private placement in Turkey. Notwithstanding the foregoing, pursuant to the BRSA decision dated May 6, 2010 No. 3665 and in accordance with Decree 32, residents of Turkey may purchase or sell the Notes offshore on an unsolicited (reverse inquiry) basis in the secondary markets only. Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Notes (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; *provided* that such purchase or sale is made through banks or licensed brokerage institutions authorized pursuant to the CMB regulations and the purchase price is transferred through banks. As such, Turkish residents should use banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through banks. Monies paid for purchases of Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the “SDIF”).

In accordance with Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the Central Registry Agency of Turkey (*Merkezi Kayıt Kuruluşu*) (the “CRA”) and the interests therein recorded in the CRA; *however*, upon the Issuer’s request, the CMB may resolve to exempt the Notes from this requirement if the Notes are to be issued outside of Turkey. The Bank submitted an exemption request through its letter to the CMB dated July 1, 2013 numbered 1754 and such exemption was granted by the CMB in its letter to the Bank dated July 30, 2013 numbered 29833736-105.03.01-2414. As a result, this requirement will not be applicable to the Notes. Notwithstanding such exemption, the Issuer is required to notify the CRA within three Turkish business days from the Issue Date of the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

Other than the CMB Approval, the BRSA Approval and the Central Bank of Ireland’s approval under the Prospectus Directive, 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, Irish or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary may be a criminal offense.

The 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 (or shall be deemed to have agreed) 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 from the registration requirements thereof described under “Transfer Restrictions.” Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer, of the Notes (or a beneficial interest therein) that is not made in accordance with the transfer restrictions may subject the transferor and/or the transferee to certain liabilities under applicable securities laws.

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 certificate(s) in fully registered form without interest coupons (each a “Rule 144A Certificate”). Notes offered and sold in offshore transactions to non-US persons pursuant to Regulation S (the

“*Regulation S Notes*”) will be represented by beneficial interests in a permanent global certificate in fully registered form without interest coupons (the “*Regulation S Certificate*” and, with the Rule 144A Certificates, the “*Global Certificates*”).

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

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

In connection with the issue of the Notes, J.P. Morgan Securities plc (the “*Stabilizing Manager*”) (or persons acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; *however*, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Bank may not (whether through over-allotment or otherwise) issue more Notes than have been authorized by the CMB.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular may be deemed to be forward-looking statements (including as that term is defined in the US Private Securities Litigation Reform Act of 1995). Forward-looking statements include statements concerning the Issuer’s plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Offering Circular, the words “anticipates,” “estimates,” “expects,” “believes,” “intends,” “plans,” “aims,” “seeks,” “may,” “will,” “should” and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Business of the Group*” and other sections of this Offering Circular 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 certain of the material risks inherent in these forward-looking statements and these are set out under "Risk Factors."

The Bank has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Bank believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of this Offering Circular, if one or more of the risks or uncertainties materialize, including those identified below or which the Bank has otherwise identified in this Offering Circular, or if any of the Bank's underlying assumptions prove to be incomplete or inaccurate, then the Bank's actual results of operation may vary from those expected, estimated or predicted and those variations may be material.

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 discussion of all potential risks or uncertainties of investing in the Notes.

Potential investors should not place undue reliance upon any forward-looking statements. Without prejudice to any requirements under applicable laws and regulations, the Bank expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

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.

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, communiqués and pronouncements in respect of accounting and financial reporting and pronouncements made by the BRSA (collectively, the "*BRSA Principles*").

The Bank's consolidated and unconsolidated annual statutory financial statements as of and for the years ended December 31, 2010, 2011 and 2012 (the "*BRSA Annual Financial Statements*") and unaudited interim consolidated and unconsolidated financial statements for the nine month period ended September 30, 2012 and 2013 (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 whereas other equity participations are included as noted in the following paragraph. The Bank's foreign affiliates maintain their books of account and prepare their

financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate.

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

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

The BRSA Interim Financial Statements as of and for the nine month periods ended September 30, 2012 and 2013 have been reviewed by KPMG in accordance with the “Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks” published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing. 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 nine month period ended September 30, 2013 (with the nine months ended September 30, 2012 as the comparative period), KPMG has reported that they applied limited procedures in accordance with professional standards for a review of such information; *however*, their report states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance upon 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 (or incorporated by reference herein) and have been extracted from the BRSA Financial Statements without material adjustment. The BRSA Financial Statements attached to (or incorporated by reference into) this Offering Circular, all of which are in English, were prepared as convenience translations of the Turkish language BRSA Financial Statements (which translations the Bank confirms were direct and accurate). Such English language BRSA Financial Statements were not prepared for the purpose of their attachment to this Offering Circular.

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

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

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

Certain figures included in, or incorporated by reference into, 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. The Bank’s 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 internal research, constitute the best current estimates of the information described.

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

Non-GAAP Measures of Financial Performance

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

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

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

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

Currency Presentation and Exchange Rates

In this Offering Circular, all references to:

- “*Turkish Lira*” and “*TL*” refer to the lawful currency for the time being of the Republic of Turkey,
- “*euro*” and “*€*” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and
- “*U.S. Dollars*,” “*US\$*” and “*\$*” refer to United States dollars.

No representation is made that the Turkish Lira or Dollar amounts in this Offering Circular could have been or could be converted into Dollars or Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see “Risk Factors – Risks Relating to the Group and its Business – Foreign Exchange and Currency Risk” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Certain Defined Terms, Conventions and Other Considerations in Relation to the Presentation of Information in this Offering Circular

Capitalized terms that are used but not defined in any particular section of this Offering Circular will have the meaning attributed thereto in “*Terms and Conditions of the Notes*” or any other section of this Offering Circular.

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).

In this Offering Circular, all average balance sheet amounts are derived from the average of the opening and closing balances for the applicable period except to the extent specifically set forth herein.

All of the information contained in this Offering Circular concerning the Turkish market and the Bank’s competitors has been obtained (and extracted without material adjustment) from publicly available information. Certain information under the heading “Book-Entry Clearance Systems” has been extracted from information provided by the clearing systems referred to therein. Where third-party information has been used in this Offering Circular, the source of such information has been identified. The Bank confirms that all such information has been accurately reproduced and, so far as it is aware, and is able to ascertain from the relevant published information, no facts have been omitted that would render the reproduction of this information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Offering Circular, while believed to be reliable, has not been independently verified by the Bank or any other party.

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In particular, but without limitation, the titles of Turkish legislation and the names of Turkish institutions referenced herein have been translated from Turkish into English. The translation of these titles and names are direct and accurate.

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

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 "*Overview of the Group and the Program – The Group*," "*Business of the Group*" and "*Ownership*" has been based upon public filings and announcements by such shareholders.

DOCUMENTS INCORPORATED BY REFERENCE

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

- the independent auditors' review report and unaudited unconsolidated BRSA Interim Financial Statements of the Bank for the nine month period ended September 30, 2013,
- the independent auditors' audit report and audited consolidated BRSA Financial Statements of the Group for the year ended December 31, 2010,
- the independent auditors' audit report and audited unconsolidated BRSA Financial Statements of the Bank for the year ended December 31, 2012,
- the independent auditors' audit report and audited unconsolidated BRSA Financial Statements of the Bank for the year ended December 31, 2011,
- the independent auditors' audit report and audited unconsolidated BRSA Financial Statements of the Bank for the year ended December 31, 2010,
- the independent auditors' audit report and audited consolidated IFRS Financial Statements of the Group for the year ended December 31, 2012,
- the independent auditors' audit report and audited consolidated IFRS Financial Statements of the Group for the year ended December 31, 2011, and
- the independent auditors' audit report and audited consolidated IFRS Financial Statements of the Group for the year ended December 31, 2010.

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

Copies of documents incorporated by reference in this Offering Circular are available on the Bank's website at http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_bank-only-406-401.aspx (with respect to the Bank's BRSA Financial Statements), http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_consolidated-407-401.aspx (with respect to the Group's BRSA Financial Statements) and http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/IFRS_full_y-consolidated-405-401.aspx (with respect to the IFRS Financial Statements) (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Offering Circular).

AVAILABLE INFORMATION

THE BANK WILL UNDERTAKE IN A DEED POLL 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.

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OVERVIEW

The Group

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

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

Since its establishment, the Bank has played an important role not only in the Turkish financial sector but also in certain industrial sectors in Turkey. The Bank has pioneered the development of a number of new areas of business through investments and equity participations in the industrial and financial services sectors. Since its establishment, the Bank has invested in the equity of almost 300 companies and, over time, has divested shares in all but a few of these companies. As of September 30, 2013, the Bank's direct equity interests were in companies operating in finance, glass, telecommunications and other industrial and services sectors. As of such date, the total book value of the Bank's equity participations was TL 7,668 million.

As of September 30, 2013, the Bank was the largest bank in Turkey in terms of total assets, total loans, Turkish Lira-denominated loans, foreign currency-denominated loans, foreign currency-denominated deposits and total shareholders' equity and had the largest market shares of total deposits, Turkish Lira-denominated deposits, demand deposits, number of debit cards and volume of debit cards transactions among private sector banks (sources: BRSA and Interbank Card Center). The Group had approximately 13.6 million retail customers, nearly 6,500 corporate customers and almost 1.1 million commercial customers as of September 30, 2013. The Bank had the largest deposit base among private sector banks with TL 119,575 million in deposits as of September 30, 2013 (Source: BRSA). Unlike most of its competitors, in addition to the branches in large cities, the Bank also has branches in rural districts. In particular, in 76 out of the 81 cities of Turkey, the Bank has the largest number of branches among private sector banks according to the Banks Association of Turkey. The Group's relationships with its customers have also typically been long-standing; for example, as of September 30, 2013, the Bank's customers have held deposit accounts with the Bank for an average of 8.9 years. The Bank provides a full range of banking services, including but not limited to the following five sectors:

- *corporate banking activities:* commercial loans, non-cash loans (including letters of guarantee, guarantees and acceptances), foreign trade operations, project finance, merger and acquisition finance, hedging and cash management solutions,
- *commercial banking activities:* commercial deposit taking, business credit cards, commercial loans, small business loans, flexible business loans, overdraft commercial accounts, point of sales-based loans, commercial housing loans, commercial auto loans, tractor and agricultural equipment loans, small business export and investment loans, letters of credit, letters of guarantee, point-of-sales agreements, automatic payment instructions, tax collection, internet banking, foreign trade operations, sector-specific packages, cash management and payment system facilities,
- *retail banking activities:* deposit accounts, credit cards, debit cards, prepaid cards, housing loans, general purpose loans, auto loans, overdraft accounts, merchant agreements, payroll accounts, automatic payment instructions, social security premium collection, tax collection, tuition fee collection, investment products, insurance products and HGS-OGS (Turkey's highway toll collection system),
- *private banking activities:* in addition to retail banking products and services, Privia-branded products (including credit cards, personal loans, mutual funds and pension plan) and structured products, each tailored to the needs of specific private banking customers, and

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

The Bank has long been an innovator in the banking sector, including being the first bank in Turkey to introduce ATMs (in 1982), electronic banking (in 1983), interactive telephone banking (in 1991), interactive banking (in 1996) and internet banking (in 1997). The Bank's ATM name "Bankamatik" has become the generic name for all ATMs in Turkey. The Bank continued to innovate the development of alternative delivery channels in the Turkish banking industry in 2007 with the launch of "İşCep", which was the first Java-based mobile banking application in Turkey. Since 2012, the Bank's delivery channels have been combined under the umbrella "Instant Banking" (*Anında Bankacılık*), with all channels utilizing similar log-in procedures and providing a consistent customer experience. As of September 30, 2013, approximately 80% of the Bank's total consumer banking transactions took place via this "Instant Banking" platform. The Bank's management believes that the Bank offers a wider range of banking services through its ATM network and online/mobile banking channels than any of its competitors.

As of September 30, 2013, the Group's capital adequacy ratio was 14.6% (12.3% when calculated using Tier 1 capital only). 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 25,437 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 26.4% and its cash loan-to-deposit ratio was 117.0%. The Group's net operating income was TL 3,916 million in 2010, TL 3,088 million in 2011, TL 4,661 million in 2012 and TL 3,483 million for the nine months ended September 30, 2013, while its net period profit from continuing operations was TL 3,232 million in 2010, TL 2,389 million in 2011, TL 3,715 million in 2012 and TL 2,818 million for the nine months ended September 30, 2013.

As of September 30, 2013, the Group had total assets of TL 233,510 million, total deposits of TL 120,692 million and a loan portfolio of TL 141,177 million.

The Bank's registered office is İş Kuleleri, 34330 Levent, Beşiktaş, İstanbul. Its registration number is 431112. The Bank's most recent articles of incorporation are dated March 29, 2013.

Key Strengths

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

- the Bank is a market leader in the Turkish banking sector in both size and scope of operations, which enables it to benefit significantly from economies of scale, capitalizing on the overall strong growth in the Turkish economy despite difficult economic conditions since 2009 due to the global financial crisis,
- the Bank's strong liquidity and capital structure, combined with its conservative funding policy, supports its ability to attract a strong deposit base (including benefitting from a "flight to quality" during difficult market conditions),
- the Bank is a recognized and trusted banking brand in Turkey, which facilitates the Group's ability to be a Turkish market leader and trusted banking partner for customers,
- the Bank's large customer base compared to its private sector banking competitors and the Bank's 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 preferred bank for its customers, shareholders and employees by maintaining its position as a pioneering and trusted regional financial leader. The main objective is to consistently increase the value that it creates for its shareholders by being a bank that responds to its customers’ needs quickly, effectively and with quality solutions and encourages its employees to achieve high levels of performance in their jobs. 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:

- Sustainability:
 - (a) increasing market shares in the main business lines while maintaining quality and profitability,
 - (b) defending and improving asset quality,
 - (c) working with optimal capital, and
 - (d) enhancing customer and employee engagement and satisfaction.
- Profitability: providing expected market returns.
- Growth: achieving market share through optimal use of capital.

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, the Group’s relationship with the Bank’s principal shareholders 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.

The Notes

The following sets out certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. The following is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. See, in particular, “Conditions of the Notes.”

Issue: US\$400,000,000 principal amount of 7.850% Subordinated Notes due 2023, which are issued in compliance with Article 8 of the 2006 BRSA Regulation and the BRSA’s permission and subject to the CMB’s approval in accordance with the Communiqué on Debt Instruments and Article 15(b) of Decree 32.

See “Turkish Regulatory Environment - Capital Adequacy – Tier 2 Rules under Turkish Law – New Tier 2 Rules” with respect to certain reductions to the Bank’s ability to include the full amount of the Notes as Tier 2 capital starting from January 1, 2015.

Interest and Interest Payment Dates: The Notes will bear interest from and including the Issue Date (*i.e.*, December 10, 2013) at the rate of 7.850% *per annum*, payable semi-annually in arrear on the 10th day of each June and December (each an “*Interest Payment Date*”); *provided that*, as described in Condition 6.4, if any such date is not a Payment Business Day (as defined in Condition 6.4), then such payment will be made on the next Payment Business Day. The first interest payment (representing a full six months of interest) 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 8.850% *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 December 10, 2023.

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 2006 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 2006 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 will be, upon issue, 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 (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 (Law No. 5520) and Article 94 and Provisional Article 67 of the Income Tax Law (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: Application was made by the Bank to the BRSA for confirmation that the full principal amount of the Notes will qualify for initial treatment as "Tier 2" capital (as provided under Article 5 of the 2006 BRSA Regulation), which approval was received on December 2, 2013. See "Turkish Regulatory Environment – Capital Adequacy – Tier 2 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 investor in the Notes may exercise any right of set-off or counterclaim in respect of any amount owed to such investor

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 2006 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 a Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Bank will (subject to certain exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction will equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. Under current Turkish law, withholding tax at the rate of 0% applies on interest on the Notes. See “Taxation - Certain Turkish Tax Considerations.”

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to Sections 1471 through 1474 of the Code or similar law implementing an intergovernmental approach thereto (“*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 2006 BRSA Regulation and the implementation of, and any subsequent changes to, the 2013 BRSA Regulation), or the application or official interpretation thereof (which change or amendment occurs after the Issue Date), as confirmed in writing by the BRSA, the principal amount of the outstanding Notes is fully excluded from inclusion as Tier 2 capital (as provided under Article 5 of the 2006 BRSA Regulation and subject to Temporary Article 4 of the 2013 BRSA Regulation) of the Issuer (save where such exclusion is only as a result of: (a) any applicable limitation on the amount of such capital or (b) such capital ceasing to count towards the Issuer’s capital base through any amortisation or similar process imposed through any grandfathering arrangements in accordance with the 2013 BRSA Regulation as at the Issue Date) (a “*Capital Disqualification Event*”). See “Conditions of the Notes - Condition 7.”

The “*2013 BRSA Regulation*” is the Regulation on Equities of Banks as published in the Official Gazette dated September 5, 2013 and numbered 28756.

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 but excluding the date fixed for redemption) if:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after December 6, 2013, 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 or deduction for, or on account of, any Taxes imposed or levied by or on behalf of a Relevant Jurisdiction at a rate in excess of the applicable rates prevailing on December 6, 2013, 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 in registered form, without interest coupons attached, which will be deposited with the Common Depositary, and registered in the name of the Common Depositary (or a nominee thereof). 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 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 2006 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 (or beneficial interests therein) 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, the Agency Agreement, the Deed Poll and the Deed of Covenant 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, and construed in accordance with, the laws of Turkey.

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

Turkish Selling Restrictions: The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in Turkey in accordance with applicable CMB and BRSA laws and regulations. See “Selling Restrictions - Notice to Residents of Turkey.”

Other Selling Restrictions: The Notes have not been and will not be registered under the Securities Act or any state securities laws and the Notes (or beneficial interests therein) may not be offered or sold within the United States or to, or for the account or benefit of, any US person (as defined in Regulation S under the Securities Act) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) is also subject to restrictions in the 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: 7.850% *per annum*

Regulation S Notes Security Codes: ISIN: XS1003016018
Common Code: 100301601

Rule 144A Notes Security Codes: ISIN: US900151AF84
CUSIP: 900151AF8
Common Code: 100307618

Representation of Noteholders: There will be no trustee.

Expected Ratings: “BBB-” by Fitch and “Ba1” by Moody’s

**Fiscal Agent and
Principal Paying Agent:** The Bank of New York Mellon, London Branch

**Registrar, Transfer Agent
and Paying Agent:** The Bank of New York Mellon (Luxembourg) S.A.

**United States Paying Agent
and Transfer Agent:** The Bank of New York Mellon, New York Branch

RISK FACTORS

In investing in the Notes, investors assume the risk that the Bank may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors that individually or together could result in the Bank becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Bank may not be aware of all relevant factors and certain factors that it currently deems not to be material may become material as a result of the occurrence of events outside the Bank's control. The Bank has identified in this Offering Circular a number of factors that could materially adversely affect its business and ability to make payments due under the Notes.

In addition, factors that are material for the purpose of assessing the market risks associated with Notes are also described below. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision relating to the Notes.

The following is a description of the principal risks associated with the Notes and the Group's business as of the date of this Offering Circular; however, the Bank does not represent that the risks set out in the statements below are exhaustive.

Risks Relating to the Group and its Business

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

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

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

The global financial crisis and related economic slowdown has significantly impacted the Turkish economy and the principal external markets for Turkish goods and services. During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and declined 4.8% in 2009. Following the implementation of fiscal and monetary measures during 2009, the Turkish economy began to recover in the fourth quarter of 2009, resulting in Turkey's GDP growing by 9.2% in 2010, 8.8% in 2011, 2.2% in 2012 and 3.7% in the first half of 2013 and its unemployment rate decreasing from 16.1% in February 2009 to 9.8% as of August 31, 2013 (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, including its net interest margins.

Concerns about a sovereign debt crisis in certain European countries, including Cyprus, Greece, Ireland, Italy, Portugal and Spain, have undermined investor confidence and resulted in a general deterioration of the financial markets since 2010. Although there have been indications of economic recovery, the recovery may not continue. Any deterioration in the condition of the global or Turkish economies, or continued uncertainty around the potential for such deterioration, could have a material adverse effect on the Group's business and customers in a number of ways, including, among others, the income, wealth, employment, liquidity, business, prospects or financial condition of the Group's customers, which, in turn, could further reduce the Group's asset quality and demand for the Group's products and services and negatively impact the

Group's growth plans. The Group's business, financial condition and/or results of operations may also continue to be adversely affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

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

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

Changes in the credit quality of the Group's customers and counterparties arising from systemic risks in the Turkish and global financial system can negatively affect the value of the Group's assets. Such risks could also result in increased unemployment, reduced corporate liquidity and profitability, increased corporate insolvencies and the inability of individuals to service their personal debt, which negatively affect the Turkish banking sector, including the Group. According to BRSA statistics, the ratio of non-performing loans to total loans in the Turkish banking sector was 3.7% as of December 31, 2010, 2.7% as of December 31, 2011 and 2.9% as of December 31, 2012 (with respect to the Group, 3.4%, 2.1% and 1.8%, respectively). As of September 30, 2013, the ratio of non-performing loans to total loans was 2.7% in the Turkish banking sector (1.8% with respect to the Group). For information on the Group's non-performing loans, see "Selected Statistical and Other Information – Summary of Loan Loss Experience."

Although the Group has put in place policies and procedures to monitor and assess credit risk, taking into account the payment ability and cash generating ability of a 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, the Group has extended credit to new customers, many of whom may have more limited credit histories. 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 September 30, 2013, there were a total of 50 banks (excluding the Central Bank) licensed to operate in Turkey. As of September 30, 2013, the top five banks in Turkey (one of which is a state-controlled bank) held 56.6% of the banking sector's total loan portfolio (excluding participation banks) and 58.6% of the total bank assets (excluding participation banks) in Turkey, according to the Banks Association of Turkey. As of September 30, 2013, the Bank was the largest in the Turkish banking sector in terms of total assets, total loans and shareholders' equity and was also the largest among the private commercial banks in terms of total deposits, each as measured on a bank-only basis.

The Group also faces competition against the state-controlled financial institutions, such as T.C. Ziraat Bankası A.Ş. ("Ziraat"), Türkiye Vakıflar Bankası T.A.O. ("Vakıfbank") and Türkiye Halk Bankası A.Ş. ("Halkbank"). Such government-controlled financial institutions historically focused on government and government-related projects but are increasingly focusing on the private sector, leading to increased competition and pressure on margins. In particular, such government-controlled institutions may have access to low cost deposits (on which such institutions pay low or no interest) through "State Economic Enterprises" owned or administered by the Turkish government, which could result in a lower cost of funds that cannot be duplicated by private sector banks. Such actions by government-controlled financial institutions, in addition to ongoing competitive pressures from private financial institutions, are expected to put downward pressure on net interest margins in at least the short term.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredito Italiano, BBVA, BNP Paribas, the National Bank of Greece, Citigroup, ING, Sberbank, Bank Hapoalim, Bank Audi sal, Burgan Bank and Bank of Tokyo-Mitsubishi UFJ are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices. The Bank's

management believes that further entries into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, could increase competition in the market. Similarly, the expansion of foreign banks' existing presence in Turkey 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, then the Group could lose customers, be forced to reduce its margins or be forced to look for more expensive funding sources, among other impacts. This, in turn, could negatively affect the Group's profitability. In addition, the Group might not be able to offset domestic and foreign competitive pressures in certain industry sectors.

To address this competition, the Bank plans to continue expanding its branch network (including opening new international branches in Dohuk and Baghdad in Iraq and Tbilisi in Georgia) and operations and/or redistribute the distribution of its existing branches while continuing its focus on financial strength and performance. Risks associated with the implementation of such strategy may include higher than anticipated costs of opening new branches, an inability to deploy profitably assets acquired or developed through expansion, new business operations (including the deployment of new products) having less profit potential (or none at all) and demonstrating lower overall growth than the Bank anticipates, pressure on profits owing to the time lag between the incurrence of expansion costs and any related future increases in income, a likely increase in the Bank's cost base and a potential negative impact on its margins. The Bank opened 47 domestic branches in 2012, has opened 46 domestic branches during the first nine months of 2013 (one branch was consolidated with other branches in the same period) and is currently planning on opening an additional 13 domestic branches during 2013 and 60-80 branches during 2014. 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. Banks have reacted by shifting funds towards higher-yielding assets, such as loans to customers. The increased competition for customers resulting from such re-allocations, 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.

Pressure on Profitability – The Group's profitability may be negatively affected as a result of regulatory, competitive and other factors

The Group's profitability may be negatively affected in the short-term and possibly in future periods as a result of a number of factors that are generally impacting the Turkish banking sector, including a slowdown of economic growth in Turkey from the high levels of recent years and a low interest rate environment in Turkey in 2012 and 2013 (see "Reduction in Earnings on Securities Portfolio" and "Interest Rate Risk" elsewhere in this section), increased competition (particularly as it impacts net interest margins (see "Competition in the Turkish Banking Sector" above)) and regulatory actions that seek either: (a) to limit the growth of Turkish banks through various conventional and unconventional policy measures, including increased reserve requirements, increased general provisioning requirements and higher risk-weighting for general purpose loans, or (b) impose limits or prohibitions on fees and commissions charged to customers or otherwise affect payments received by the Group from its customers (see "Banking Regulatory Matters" and "Risk Related to Turkey - High Current Account Deficit" below). For the nine months ended September 30, 2013, the Bank's return on average assets of its banking business was 1.5% (compared to 1.8% for the sector for the nine months ended September 30, 2013) and the return on average equity of its banking business was 18.7% (compared to 15.4% for the sector for the nine months ended September 30, 2013). There can be no assurance that the Group will be able to maintain such levels of profitability.

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, TL 42,073 million and TL 53,635 million as of December 31, 2011, December 31, 2012 and September 30, 2013, respectively, representing 39.0%, 36.7% and 38.0%, respectively, of the Group's total loans as of such dates. In preparing its BRSA Financial Statements, transactions in currencies other than Turkish Lira are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. As a result, the Group's reported income is affected by changes in the value of the Turkish Lira with respect to foreign currencies. The overall effect of exchange rate movements on the Group's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

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

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

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

The Group's results of operations depend upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest income contributed 49.8%, 48.4% and 50.2% of the Group's operating income for the years 2012, 2011 and 2010, respectively (52.9% for the first nine months of 2013), and net interest margin as measured on a Bank-only basis was 4.2%, 3.7% and 4.3%, respectively, over the same periods (4.3% for the first nine months of 2013). Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies pursued by the Central Bank and central banks in other jurisdictions, 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 September 30, 2013, Turkish government debt securities accounted for 93.4% of the Group's securities portfolio and 16.9% of the Group's total assets.

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/or 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 (including mortgages and credit cards) and investment securities, which may result in asset-liability maturity gaps and ultimately liquidity problems. In addition, depositors might withdraw their funds at a rate faster than the rate at which borrowers repay. For example, the unemployment rate in Turkey was 9.8% as of August 31, 2013, 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 syndicated loan facilities or transactions in the international capital markets if conditions in these markets, or its credit ratings or financial condition, were to deteriorate.

In addition to deposits, the Group also relies on non-deposit funding (which includes repos and money market funds, funds borrowed and marketable securities issued), which as of September 30, 2013 accounted for 23.7% of the Group's total liabilities compared to 21.2% as of December 31, 2012 and 24.5% as of December 31, 2011. The Group's cash loan-to-deposit ratio was 117.0% as of September 30, 2013 compared to 108.2% as of December 31, 2012, 100.2% as of December 31, 2011 and 78.1% as of December 31, 2010. If growth in the Group's deposit portfolio does not keep pace with growth in its loan portfolio, then the Group might need to become more reliant upon non-deposit funding sources such as securities offerings, some of which might create additional risks of their own such as increased liquidity and/or interest rate gaps and exposure to volatility in international capital markets.

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

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

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

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

While the Bank's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Bank to match fund its medium- and 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 September 30, 2013, the Group's total foreign currency-denominated borrowings constituted 13.2% of its consolidated assets (12.1% as of December 31, 2012). To date, the Bank has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, although this might not continue in the future. Particularly in light of the historical volatility of emerging market financings, the Group: (a) might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in maturity mismatches of assets and liabilities, and (b) is susceptible to devaluations of the Turkish Lira (which would thus increase the amount of Turkish Lira that it would need to make payments on its foreign currency-denominated obligations). Should these risks materialize, these circumstances could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

As required by the rules of Basel II and Basel III, banks that are in jurisdictions that have adopted Basel II or 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 applied previously. 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 medium- and 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 September 30, 2013, approximately 97.4% of the Group's foreign currency-denominated borrowing (excluding senior eurobonds but, as they are accounted for as loans, including subordinated eurobonds) was sourced from international banks, multilateral institutions and "future flow" transactions (97.1% as of December 31, 2012). 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 September 30, 2013, 54.7% 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 27.8% of the Bank's total loan portfolio, and loans to SMEs (as defined by the BRSA SME Definition) accounting for 26.9%. Retail and SME customers typically have less financial strength than corporate borrowers, and negative developments in the Turkish economy could affect retail and SME customers more significantly than large corporate borrowers. The Group's NPL ratios for each of 2010, 2011, 2012 and the first nine months of 2013 were 3.4%, 2.1%, 1.8% and 1.8%, respectively (see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisioning for Impaired Loans"). In each of the periods mentioned, non-performing loans to SMEs (as defined by the BRSA SME Definition) accounted for a significantly higher percentage of total non-performing loans (each an "NPL") (6.2%, 3.8%, 2.7% and 2.5% as of December 31, 2010, 2011 and 2012 and September 30, 2013, respectively). For retail loans, the Group's NPL ratios were 4.7%, 2.5%, 2.2% and 2.5% as of December 31, 2010, 2011 and 2012 and September 30, 2013, respectively. As of September 30, 2013: (a) 54.7% 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 27.8%, (b) the Group's NPL

ratio for the first nine months of 2013 was 1.8%, (c) the Bank's non-performing loans to SMEs (as defined in the BRSA SME Definition) accounted for 35.4% of total NPLs and (d) the Group's NPL ratio for retail loans (which consisted of consumer loans, overdrafts and credit cards) was 2.5%. A negative impact on the financial condition of the Group's retail or SME customers could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

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

A significant portion of the Group's loans are collateralized and the Group may have difficulty realizing on collateral 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.

Deterioration in economic conditions in Turkey or a decline in the value of certain markets (e.g., the Turkish real estate market) 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 and/or may be difficult to enforce.

If the Group is unable to realize adequate proceeds from collateral disposals or enforcing guarantees to cover loan losses, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest income derived from the Group's securities portfolio in 2010, 2011 and 2012 accounting for 38.5%, 34.9% and 28.2%, respectively, of its total interest income (and 25.0%, 22.8% and 18.5%, respectively, of its gross operating income before deducting interest expense and fee and commission expense). For the nine months ended September 30, 2013, those numbers were 24.7% and 16.1%, respectively. The Bank also has obtained large realized gains from the sale of securities in the available-for-sale portfolio. The CPI-linked securities in the Bank's investment portfolio have been providing high real yields compared to other government securities, which also have been generating high nominal yields in a high inflation environment, but their impact on the Bank's earnings will vary as inflation rates change.

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

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

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

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

As banks are highly regulated entities, the Group is subject to a number of banking, consumer protection, competition, antitrust and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries in which the Group operates. Basel II regulations have been in effect in Turkey for standardized approaches since July 1, 2012.

Turkish banks' capital adequacy requirement will be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented between 2014 and 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated September 5, 2013 and numbered 28756, adopted the 2013 BRSA Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which will enter into effect on January 1, 2014. The 2013 BRSA Regulation introduces core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital, whereas the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier 1 capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) change the risk weights of certain items that are categorized under "other assets." The 2013 BRSA Regulation also introduced new Tier 2 rules and determined new criteria for debt instruments to be included in the Tier 2 capital.

In addition to these implementations: (a) the Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, and (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), were published in the Official Gazette dated November 5, 2013 and numbered 28812 and will enter into effect on January 1, 2014 (with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that will enter into effect on January 1, 2015). Lastly, in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA has published a draft regulation on a liquidity coverage ratio. Turkish banks' capital adequacy requirement will be further affected by the January 1, 2014 commencement of certain Basel III requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. If the Bank and/or the Group is unable to maintain its capital adequacy ratios above the minimum levels required by the BRSA (whether due to its inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Group's business, financial condition and/or results of operations. Please see "Turkish Regulatory Environment" below for further discussion on Basel III.

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 Law on the Protection of Consumers (Law No: 6502), published in the Official Gazette No. 28835 dated November 28, 2013 and to enter into force six months after its publication date, imposes 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 October 8, 2013, the BRSA introduced new regulations to further affect loan growth through amending: (a) 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*”), which sets out the procedures for loan loss reserves for non-performing loans, (b) the Regulation on Measurement and Evaluation of Capital Adequacy of Banks, which sets out the procedures for capital adequacy requirements, and (c) the Regulation on Bank Cards and Credit Cards, published in the Official Gazette No 27788 on December 17, 2010, which sets out procedures regarding credit cards. Additionally, Turkish authorities have limited mortgage loan-to-value ratios to 75%, imposed a ceiling on mutual fund fees and decreased ceiling rates on credit cards. The Central Bank has also altered reserve requirements from time to time (see “*Managements’ Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting the Group’s Financial Condition and Results of Operations – Central Bank Reserve Requirements*”). The Group might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking market (see “*Turkish Banking Sector — Competition*”). Accordingly, the Group might not be able to sustain its level of profitability in light of these regulatory changes and the Group’s profitability is likely to be materially adversely impacted until such changes are incorporated into the Group’s pricing.

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

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

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

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

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

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

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

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

Although the Group has adopted various policies and procedures, and has put in place systems (including internal control, “know your customer” rules and transaction monitoring) aimed at preventing money laundering and terrorist financing, and seeks to adhere to all requirements under Turkish legislation and international standards aimed at preventing it being used as a vehicle for money laundering or terrorist financing, these policies and procedures might not be completely effective. Similar to other financial institutions, if the Group fails to comply with timely reporting requirements or other anti-money laundering or anti-terrorist financing regulations and/or is associated with money laundering and/or terrorist financing, then 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 recent global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical measures indicate.

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

Corporate Governance – Turkish corporate governance standards are in transition

On December 30, 2011, the CMB issued the Communiqué on the Determination and Implementation of Corporate Governance Principles Series IV, No. 56 (as amended, the “Corporate Governance Communiqué”) providing certain mandatory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul. The CMB has amended the Corporate Governance Communiqué to provide for specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul. The intent of the Corporate Governance Communiqué is to enhance Turkish corporate governance standards in a number of ways, including requiring the establishment of a corporate governance

committee. As the regulation (which entered into force on December 30, 2011) provided a one year exemption for listed banks, the Corporate Governance Communiqué became applicable to the Bank on December 30, 2012. Accordingly, the Bank established a Corporate Governance Committee at its board meeting on February 27, 2013 and the General Assembly appointed an independent member to the Bank's board of directors. According to the February 22, 2013 amendment to the Corporate Governance Communiqué, members of a bank's audit committee are regarded as independent board members; thus, as of the date hereof the Bank has three independent members on its board of directors (two of which are members of its Audit Committee). The Bank is also subject to the corporate governance principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. Where the Bank does not comply with any of the non-mandatory principles applicable to it under the Corporate Governance Communiqué, it will describe any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of the Bank's annual report. Should the Bank fail to comply with any mandatory obligations, then it may be subject to fines or other penalties.

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

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

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

The Group maintains its accounting systems and prepares its accounts in accordance with relevant regulations and publishes quarterly consolidated financial results in accordance with the BRSA Principles. The Bank only publishes annual (consolidated and unconsolidated) and half-yearly (consolidated only) financial statements that have been prepared in accordance with IFRS. There are differences between the BRSA Financial Statements and the IFRS Financial Statements. A summary of certain of such differences as they apply to the Group has been included in Appendix A (“Overview of Significant Differences between IFRS and BRSA Accounting Principles”), including differences that may materially alter the description of the Group's results of operations and financial position. Potential investors should rely upon their own examination of the Group, the terms of the Notes and the financial and other information contained in this Offering Circular.

Audit Qualification - The audit and review reports in relation to the Group's financial statements include a qualification

The Group's audit and review reports, as applicable, based upon BRSA Principles for 2010, 2011, 2012 and the third quarter of 2013 include a qualification about a free provision allocated by the Group for the purpose of the conservatism principle applied by the Group considering the possible result of negative circumstances that may arise from any changes in economy or market conditions. The Group may have similar qualifications in the future. The auditor's statements on such qualification can be found in its letters attached to each of such BRSA Financial Statements. The auditors' reports for the IFRS Financial Statements incorporated by reference or included herein also include a qualification about a free provision allocated by the Group for the same purposes.

The audit and review, as applicable, reports for both consolidated and unconsolidated financial statements prepared in accordance with BRSA Principles for 2010, 2011 and 2012 and the first three quarters of 2013 include: (a) a qualification related to the free provision as of September 30, 2013 amounting to TL 1,000 million allocated by the Bank's management,

all of which had been recognized as an expense in prior periods with the balance being charged to the income statement as an expense in the current period, (b) a qualification related to the free provision as of December 31, 2012 amounting to TL 1,000 million allocated by the Bank's management, TL 950 million of which had been recognized as an expense in prior periods with the balance being charged to the income statement as an expense in that period, (c) a qualification related to the free provision as of December 31, 2011 amounting to TL 950 million allocated by the Bank's management, which had been recognized as an expense in the prior periods, and (d) a qualification related to the free provision as of December 31, 2010 amounting to TL 950 million allocated by the Bank's management, which had been recognized as an expense in the prior periods. See also the audit and review, as applicable, reports for the consolidated and unconsolidated BRSA Financial Statements for 2010, 2011 and 2012 and the first three quarters of 2013 included in the BRSA Financial Statements incorporated by reference or included herein.

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 (for example, in the third quarter of 2013, the Bank reversed TL 100 million of such provisions). 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 1 capital are included in the capital adequacy ratio calculation. Under the 2013 BRSA Regulation, which will enter into effect on January 1, 2014, there is no 25% threshold in respect of provisions for calculation of the capital adequacy ratio and instead it is stated that the BRSA is authorized to limit the provisions that may be taken into consideration in calculating a bank's capital adequacy ratio.

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, performance issues or interruption of the Group's IT systems or any other systems in its branch network, clearing operations or elsewhere, inadequate selection of new technology, delays caused by the implementation of new technology or incomplete integration of new technology into the existing IT systems 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 upon 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 level of debt prevalent in various sectors of the global economy, including the financial sectors of many countries. While there were many reasons for this over-leverage, important factors included the low cost of funding, the over-reliance by creditors (particularly investors in structured transactions) on the analysis provided by rating agencies (which reliance was often encouraged by regulatory and other requirements that permitted capital to be applied based upon the debtor's rating) and the failure of risk management systems to identify adequately the correlation of risks and price risk accordingly. If the Group becomes over-leveraged as a result of these or any other reasons, then it may be unable to satisfy its obligations in times of financial stress, and such failure could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

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

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

As of September 30, 2013, the Bank had 24,047 employees. Almost all of the Bank's Turkish employees are members of the Turkish union for the banking and insurance industries, Banka ve Sigorta İşçileri Sendikası ("Basisen"). Basisen and the Bank are parties to a collective bargaining agreement that terminates in March 2014. While the Bank's management believes that the Bank's relationships with its employees and Basisen are satisfactory, the existing collective bargaining agreement with Basisen might not be extended or renewed at current terms or the Group might not be able to renegotiate this collective bargaining agreement in a favorable and timely manner. In addition, although Turkish Law No. 6356 renders strikes and lockouts in the banking sector illegal and the Bank has not experienced any work stoppages or labor disputes in recent years, the regulation in force might change or work stoppages or labor disputes might occur in the

future. If a material disagreement between the Bank and Basisen arises, or if employees engage in a prolonged work stoppage or strike, the Group's business, financial condition and/or results of operations could be negatively affected.

Turkish Banking System – The Turkish banking sector has experienced significant volatility in the past and may experience 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 68.25% of the Bank's outstanding share capital according to Central Registry Agency data as of September 30, 2013. 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 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 continues, 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.

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 December 6, 2013, 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 December 6, 2013 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 at any time when the Bank has the right to redeem them as provided above, as the market value at such time will generally not rise substantially above the price at which they can be redeemed. This may similarly be true in the period before such time when any relevant change in law or regulation is yet to become effective.

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.

Risks Related to the Notes Generally

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

The conditions of the Notes 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 - Transfers of Notes will be subject to certain restrictions and interests in Global Notes can only be held through Euroclear, Clearstream, Luxembourg and/or DTC

Although the Notes have been authorized by the CMB pursuant to Decree 32 regarding the Protection of the Value of the Turkish Currency and the Capital Markets Law and its related legislation 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 than with the Central Bank of Ireland as described herein) other jurisdiction's securities laws or (b) with the SEC or any other applicable state's or (other than with the Central Bank of Ireland as described herein) other jurisdiction's regulatory authorities. The offering of the Notes (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers 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 (or beneficial interests therein) may be limited due to the lack of a physical certificate. In the event of the insolvency of Euroclear, Clearstream, Luxembourg, DTC or any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

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

As permitted by Condition 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 date and 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

The Bank is a public joint stock company organized under the laws of Turkey 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 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 addition, under the International Private and Procedural 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. Nevertheless, 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. The same may apply for judgments obtained in other jurisdictions. For further information, see “Enforcement of Judgments and Service of Process.”

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

Under EC Council Directive 2003/48/EC on the Taxation of Savings Income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state; *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 (for example, a withholding system in the case of Switzerland). In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from January 1, 2015 in favor of automatic information exchange under the Directive.

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

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, nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Bank will be required to maintain a paying agent that is not located in a member state of the European Union that will oblige such paying agent to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

FATCA - U.S. Foreign Account Tax Compliance Withholding

The U.S. Foreign Account Tax Compliance Act (*i.e.*, FATCA) imposes a reporting regime and, potentially, a 30% withholding tax with respect to: (a) certain payments from sources within the United States, (b) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime and (c) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The Bank may be classified as a financial institution for these purposes. If an amount in respect of such withholding tax were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, then none of the Bank, any Paying Agent or 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. As a result, investors may receive less interest or principal than expected. Prospective investors should refer to the section “*Taxation – U.S. Foreign Account Tax Compliance Act.*”

Change in Law – The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based upon English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Definitive Notes might need to be Issued - Investors in Global Notes who hold less than the minimum denomination may be adversely affected if definitive Notes are subsequently required to be issued

As the Notes are issued in denominations consisting of the minimum denomination of US\$200,000 plus higher integral multiples of US\$1,000, interests in the Global Certificates can be traded in amounts in excess of US\$200,000 that are not integral multiples of US\$200,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than US\$200,000 will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase an additional principal amount of Notes such that its holding amounts to

at least US\$200,000 in order to be able to trade such Notes. Investors in the Global Notes should be aware that investments in the Notes other than an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Clearing Systems – Reliance upon DTC, Euroclear and Clearstream, Luxembourg procedures

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

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

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

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

The Office of Foreign Assets Control of the U.S. Department of Treasury (“OFAC”) administers regulations that restrict the ability of U.S. 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 U.S. 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, U.S. persons investing in the Bank may incur the risk of indirect contact with Sanction Targets. Although the Bank’s current policy is not to engage in any business with Sanction Targets, there can be no assurance that current counterparties will not become Sanction Targets in the future. Non U.S. 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.”

Risks Related to Turkey

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

The Group operates predominantly in Turkey and derives almost all 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 increased stability and led to economic growth, Turkey is still 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 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.

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 monetary policies in the United States). 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 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 the value of the Notes.

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

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

Protests starting in May 2013 in İstanbul, and spreading to Ankara and other major cities in Turkey, against plans to replace Gezi Park, an urban park in İstanbul's central Taksim Square, with a commercial development, and resulting confrontations among protestors and security forces, partly contributed to the increase in the volatility of Turkish financial markets. While the Bank's management does not believe that these conflicts will have a material long-term negative impact on Turkey's economy or the Group's business, financial condition or results of operation, it is possible that these (or other) protests and related circumstances could have such an impact and/or a negative impact on investors' perception of Turkey and/or the value of the Notes issued under the Program.

Presidential elections are currently scheduled to be held in Turkey in 2014 and the events surrounding such elections and/or the results of the elections could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey. 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, actual or perceived political instability in Turkey 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 subject to significant macro-economic risks

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

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

Turkey's GDP grew by 8.4% in 2005, 6.9% in 2006, 4.7% in 2007 and 0.7% in 2008. Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and 4.8% in 2009, before growing in 2010 (9.2%), 2011 (8.8%) and 2012 (2.2%). The ratio of net public debt to GDP decreased from 41.7% in 2005 to 17.0% in 2012. The last stand-by arrangement with the IMF was completed in May 2008. In October 2013, the government announced a three year medium-term economic program from 2014 to 2016. Under this program, the government has set growth targets of 4.0% for 2014 and 5.0% for 2015, as well as a gradual decrease in the net public debt to GDP ratio, according to the Ministry of Development. Should Turkey's economy continue to experience macro-economic imbalances, it could have a material adverse impact on the Group's business, financial condition and/or results of operations. For more details on recent developments in Turkey's economy, see "Risks Relating to the Group and its Business - Global Financial Crisis and Eurozone Crisis" above.

Turkey's economy is 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.

As noted above, the Bank's management does not believe that the Taksim Square protests will have a material long-term negative impact on Turkey's economy; *however*, it is possible that these (and other) protests and related circumstances could have such an impact and/or a negative impact on investors' perception of Turkey and/or the value of the Notes issued under the Program.

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

Conflicts in the Middle East and elsewhere remain a concern, most recently exemplified by the internal conflict in Syria and the tensions between Iran and Israel. The conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution are difficult to predict. 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 and on October 3, 2013 the authorization was extended for one-year.

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). On February 1, 2013, a suicide bomber attacked the U.S. Embassy in Ankara killing himself and others. On May 11, 2013, two car bombs exploded in the Reyhanlı district of the southern province of Hatay, resulting in the deaths of 52 people and significant additional casualties. The Taksim Square protests have also contributed to recent volatility in the Turkish financial markets. Such circumstances and domestic terrorist attacks have had and could continue to have a material adverse effect on the Turkish economy and the Group's business, financial condition and/or results of operations.

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. 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 energy prices in Turkey and further negatively affect Turkey's current account deficit. Such impacts could occur (*inter alia*) through a lower flow of foreign direct investment into Turkey, capital outflows and/or increased volatility in the Turkish financial markets. In addition, certain sectors of the Turkish economy (such as construction, iron and steel) have operations in (or are otherwise active in) the Middle East and North Africa and may experience negative effects of the upheavals in the region. Any of such circumstances could adversely affect the Group's business, financial condition and/or results of operations.

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

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

In an effort to ensure compliance with the FATF requirements, new measures against financing terrorist activities in Turkey were introduced with the entry into force of the Law No. 6415 on the Prevention of the Financing of Terrorism on February 16, 2013 (the “CFT Law”). In order to address shortcomings identified by the FATF and with a view to achieving compatibility with international standards as outlined under the International Convention for the Suppression of the Financing of Terrorism and annexes thereto, the CFT Law introduces an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The CFT Law also presents new principles and mechanisms for identifying and freezing terrorist assets and facilitates the implementation of United Nations Security Council decisions, in particular those relating to entities and/or individuals placed on sanction lists. On May 31, 2013, the Regulation on Procedures and Principles Regarding the Application of the Law on the Prevention of the Financing of Terrorism became effective, which regulation provides the procedures and principles for the decision-making, execution and termination of the freezing of assets as well as the management and supervision of the frozen assets. Also, the Council of Ministers’ Decree dated September 30, 2013 implemented United Nations Security Council Resolutions 1267, 1988, and 1989, which further improved Turkey’s CFT regime. On February 22, 2013, due to the implementation of the CFT Law, the FATF decided not to recommend the application of the above-mentioned countermeasures; *however*, the FATF may further request that Turkey adopt additional measures and procedures to ensure full compliance with FATF requirements. In the event that the FATF finds the new measures introduced with the CFT Law to be insufficient, then FATF measures as described above may be imposed on Turkey and this could have a material adverse effect on the Group’s business, financial condition and/or results of operations.

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

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

The Group maintains earthquake insurance but does not have 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 (including the Group’s customers), which could adversely affect the Group’s business, financial condition and/or results of operations.

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

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 69.7% in the early 2000s; *however*, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5% at the end of 2009, the lowest level in many years. Consumer price inflation was 6.4%, 10.4% and 6.2% in 2010, 2011 and 2012, respectively (7.9% for the 12 months ended September 30, 2013). Producer price inflation was 8.9%, 13.3% and 2.5% in 2010, 2011 and 2012, respectively (6.2% for the 12 months ended September 30, 2013). Significant global price increases in major commodities

such as oil, cotton, corn and wheat would be likely to increase supply side inflation pressures throughout the world. These inflationary pressures may result in Turkish inflation exceeding the Central Bank's inflation target, which may cause the Central Bank to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

In 2010, the Turkish current account deficit was US\$45.4 billion, which increased to US\$75.1 billion in 2011 before decreasing to US\$47.8 billion in 2012 according to the Central Bank. The decline in the growth of the current account deficit in 2012 was largely the result of coordinated measures initiated by the Central Bank, the BRSA and the Turkish Ministry of Finance to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures has been to slow growth in the current account deficit by controlling the rate of loan growth. Unless there is a decline in credit growth, government authorities have stated that bank-specific actions might be implemented.

The decline in the current account deficit experienced in 2012 came to an end in early 2013, with (due to the recovery in domestic demand) the annualized current account deficit increasing to US\$59.1 billion as of September 2013. The Bank's management expects this to be followed by a period of gradual increases until the end of the year in parallel with the recovery in domestic demand compared to 2012. If the value of the Turkish Lira decreases (having exceeded 2.0 TL/USD in August, it experienced a nominal depreciation of approximately 14% in the first nine months of 2013), then the cost of importing oil and other goods and services might increase while the value of exports might also increase, resulting in potential increases or decreases in the current account deficit. The decrease in the value of the Turkish Lira principally reflects changes in the global flow of funds caused by the expected reduction by the U.S. Federal Reserve in its expansionary monetary policy. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank has recently taken certain actions to maintain price and financial stability. For example, in meetings in July and August 2013, the Central Bank increased the upper band of the interest rate corridor (the lending rate) from 6.5% to 7.25% and then 7.75% and also announced that there will be no funding to banks via the primary dealer repo facility on additional monetary tightening days. Such actions by the Central Bank and similar or other actions that it might take in the future might not be successful in reducing the current account deficit. If the current account deficit widens more than anticipated, financial stability in Turkey might deteriorate. Financing the high current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest of foreign investors in Turkey. Any such difficulties may lead the Turkish government to seek to raise additional revenue to finance the current account deficit or to seek to stabilize the Turkish financial system, and any such measures might adversely affect the Group's business, financial condition and/or results of operations.

Although Turkey's economic growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. While diversification in the export markets towards near and Middle East countries limited the negative impacts of external demand-related risks on domestic economic activity, the EU remains Turkey's largest export market. A decline in demand for imports from the EU could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit.

In early 2011, the Turkish government declared its intention to take additional measures to decrease the current account deficit, and in this regard it identified the high growth rate of loans as one of the target areas. On June 18, 2011, the BRSA introduced new regulations to further control loan growth that will, among other things: (a) increase Turkish banks' general provision requirements in the event such banks': (i) total consumer loans to total loan amount exceed 20% or (ii) non-performing consumer loans (excluding auto and housing loans) to total consumer loans (excluding auto and housing loans) exceed 8%, and (b) increase the risk-weighting for certain consumer loans in calculating capital adequacy ratios. Furthermore, the Regulation Amending the Regulation on Provisions and Classification of Loans and Receivables, which was published in the Official Gazette dated October 8, 2013 and numbered 28789, altered the requirements for calculating consumer loan provisions by: (i) increasing the ratio of consumer loans to total loans beyond which additional consumer loan provisions are required from 20% to 25% and (ii) requiring the inclusion of auto loans and credit cards in the calculation of the ratio of non-performing consumer loans to total consumer loans ratio (if such ratio is beyond 8%, which ratio was not altered by these amendments, additional consumer loans provisions are required). 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.

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

Exchange rates for the Turkish Lira have historically been, and continue to be, highly volatile. Since February 2001 the Central Bank has applied a floating exchange rate policy that has arguably resulted in increased volatility in the value of the Turkish Lira. In 2012, the Turkish PPI increased by 2.5% while during the same period the Turkish Lira appreciated (in nominal terms) against the US Dollar by 6.5%, according to the Central Bank. According to the Central Bank, the CPI-based real effective exchange rate increased from 109.63 as of December 31, 2011 to 118.18 as of December 31, 2012, indicating a 7.8% real appreciation.

As of October 31, 2013, in nominal terms the Turkish Lira had depreciated against the US Dollar by 11.6% compared to year-end 2012; (on a real basis, such depreciation was 6.9%). In particular, during June 2013 the value of the Turkish Lira depreciated against major currencies due to the increased risk perception in global markets due to the market's expectation that the U.S. Federal Reserve might reduce its quantitative easing and the Taksim Square protests described above. Against these developments, the Central Bank implemented additional monetary tightening and held intra-day foreign exchange selling auctions in order to reduce the volatility of the Turkish Lira. Although the U.S. Federal Reserve did not reduce the amount of its monthly asset purchases at its meeting in September 2013 as opposed to the expectations, it was noted that the future of asset purchases will be data dependent. These and other domestic and international circumstances might result in continued or increasing volatility in the value of the Turkish Lira.

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

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

The Group has a significant exposure to Turkish governmental and state-controlled entities. As of December 31, 2012, 94.1% of the Group's total securities portfolio (21.0% of its total assets and equal to 169.5% of its shareholders' equity) was invested in securities issued by the Turkish government (93.4%, 16.9% and 155.4%, respectively, as of September 30, 2013) and 1.7% of the Group's total assets were used to make loans to Turkish governmental and state-controlled entities. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by Turkish governmental entities in making payments on their debt or the possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government debt held by the Group and the Turkish banking system generally and may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks Related to the Market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

No Secondary Market-An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell Notes

Notes may have no established trading market when issued and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

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

The market value of 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 debt 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 value of the Notes without regard to the Bank's financial condition or results of operations.

The market value of the Notes will also 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 investment 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 value of Notes.

Exchange Rate Risks and Exchange Controls – If U.S. Dollars are not the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of the investment; in addition, the imposition of exchange controls could result in an investor not being able to convert U.S. Dollars into its home currency

The Bank will pay principal and interest on the Notes in U.S. Dollars. This 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 Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of Dollars 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 Dollar would decrease: (a) the Investor's Currency-equivalent yield 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. An investor may also not be able to convert (at a reasonable exchange rate or at all) amounts received in U.S. Dollars into the Investor's Currency.

Interest Rate Risk- The value of the Notes may be adversely affected by movements in market interest rates

Investment in the Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes.

Credit Ratings – Credit ratings assigned to the Bank or any Notes may not reflect all risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Bank or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the

updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

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

- (a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments,
- (b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or
- (c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

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

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

- (a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed,
- (b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey,
- (c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey,
- (d) the judgment is not of a civil nature,
- (e) the judgment is clearly against public policy rules of Turkey,
- (f) the judgment is not final and binding with no further recourse for appeal or similar revisions process under the laws of the country where the judgment has been rendered, or
- (g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

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

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of the Notes, including underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The expenses in connection with the admission of the Notes to the Official List and to trading on the Main Securities Market are expected to amount to approximately €3,190. 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.

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 attached hereto, “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 attached hereto 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 such BRSA Financial Statements and in “Presentation of Financial and Other Information.”

The BRSA Financial Statements: (a) as of and for the years ended December 31, 2010, 2011 and 2012 have been audited and (b) as of and for the nine month periods ended September 30, 2012 and 2013 have been reviewed by KPMG.

	As of December 31,			As of September 30,
	2010	2011	2012	2013
	(TL thousands)			
Balance Sheet Data:				
Cash and balances with the Central Bank	8,595,906	13,886,577	16,111,127	21,629,875
Financial assets at fair value through profit or loss (net)	1,837,110	2,418,121	2,202,641	2,664,366
Banks	6,375,798	4,747,906	4,551,893	5,145,282
Money Market Placements	10,194	171,613	81,675	329,091
Financial Assets Available For Sale (Net)	36,181,207	33,557,066	32,173,825	33,018,205
Loans	69,077,804	99,028,122	115,218,483	141,773,987
Factoring Receivables	331,320	404,653	1,014,940	911,600
Held To Maturity Investments (Net)	14,070,629	13,707,432	11,048,779	7,684,218
Investments In Associates (Net)	794,592	776,951	778,281	764,483
Investments In Subsidiaries (Net)	2,746,829	3,202,087	3,620,153	3,519,816
Lease Receivables	963,265	1,376,390	1,384,455	1,757,176
Tangible Assets (Net)	1,999,633	2,166,852	2,139,784	2,186,406
Intangible Assets (Net)	56,114	120,352	189,627	275,566
Investment Property (Net)	1,242,157	1,037,294	1,108,704	1,069,522
Tax Assets	836,057	655,919	738,397	652,060
Assets Held For Sale And Discontinued Operations (Net) .	54,233	60,256	73,295	65,438
Other assets	5,637,888	6,618,239	8,638,680	10,063,133
Total Assets	150,810,736	183,935,830	201,074,739	233,510,224
Deposits from the Bank’s Risk Group	2,287,626	2,133,162	2,291,383	2,346,990
Other deposits	86,188,993	96,698,834	103,719,477	118,345,330
Derivative Financial Liabilities Held for Trading	731,310	916,086	760,440	827,519
Funds Borrowed	14,282,865	18,779,275	19,072,787	23,561,882
Money Market Funds	12,969,586	22,472,982	17,030,831	22,773,588
Marketable Securities Issued (Net)	195,954	3,765,876	6,476,363	9,075,244
Funds	—	7,894	9,745	3,429
Sundry creditors	5,946,252	7,161,721	9,184,478	11,364,121
Other liabilities	1,181,867	2,442,482	4,884,994	6,337,977
Provisions	7,560,506	8,713,868	10,260,057	10,947,290
Tax liabilities	401,175	438,081	631,853	346,161
Subordinated Loans	77,947	95,000	1,893,576	2,143,750
Total Liabilities	131,824,081	163,625,261	176,215,984	208,073,281
Paid-in Capital	4,500,000	4,500,000	4,500,000	4,500,000
Share Premium	33,937	33,937	33,940	33,940
Marketable Securities Revaluation Reserve	1,241,479	1,159,906	2,613,053	1,097,260
Bonus Shares obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	(1,179)	(1,179)	(1,179)	(1,179)
Other Capital Reserves	1,615,938	1,615,938	1,615,938	1,615,938
Profit Reserves	5,918,120	8,352,002	10,402,674	13,227,374
Profit or Loss	3,028,597	2,179,515	2,802,512	1,905,184
Minority Shares	2,649,763	2,470,450	2,891,817	3,058,426
Total Equity	18,986,655	20,310,569	24,858,755	25,436,943
Total Liabilities and Equity	150,810,736	183,935,830	201,074,739	233,510,224

				For the nine months ended September 30,	
	2010	2011	2012	2012	2013
Income Statement Data:			(TL thousands)		
Net Interest Income.....	5,410,570	5,416,996	6,842,265	4,902,944	5,851,634
Interest Income.....	10,850,750	12,081,352	14,676,856	11,012,616	10,958,492
Interest Expense.....	(5,440,180)	(6,664,356)	(7,834,591)	(6,109,672)	(5,106,858)
Net Fees and Commissions Income.....	997,891	1,102,726	1,258,319	881,641	1,108,442
Dividend Income.....	45,785	171,477	205,032	204,948	237,351
Trading Income (net).....	292,912	446,913	871,070	490,612	425,587
Other Operating Income.....	4,026,561	4,060,685	4,559,561	3,360,856	3,444,752
Total Operating Income.....	10,773,719	11,198,797	13,736,247	9,841,001	11,067,766
Provision for Loans and Other Receivables.....	(1,185,911)	(1,494,935)	(1,291,545)	(855,733)	(1,572,268)
Other Operating Expenses.....	(5,671,987)	(6,615,795)	(7,783,373)	(5,681,731)	(6,012,638)
Net Operating Income.....	3,915,821	3,088,067	4,661,329	3,303,537	3,482,860
Profit/Loss from Associates Accounted for using the Equity Method.....	4,806	9,842	12,317	10,838	6,301
Profit/Loss on Continuing Operations before Tax	3,920,627	3,097,909	4,673,646	3,314,375	3,489,161
Tax Provision for Continuing Operations.....	(688,933)	(708,541)	(958,912)	(659,950)	(671,113)
Net Period Profit/Loss.....	3,231,694	2,389,368	3,714,734	2,654,425	2,818,048

	As of (or for the year ended) December 31,			As of (or for the nine month period ended) September 30,
	2010	2011	2012	2013
Key Ratios:				
Return on average shareholders' equity excluding minority interest ^{(1) (2)}	20.2%	13.2%	17.5%	15.2%
Net interest margin ⁽¹⁾⁽³⁾	4.3%	3.7%	4.2%	4.3%
Cost-to-income ratio ⁽⁴⁾	42.0%	48.5%	47.1%	45.4%
Free capital ratio ⁽⁵⁾	8.0%	7.0%	8.2%	7.3%
Non-Performing Loans/Total Cash Loans ratio.....	3.4%	2.1%	1.8%	1.8%
Cost to average total assets ⁽¹⁾⁽⁶⁾	2.7%	2.6%	2.8%	2.6%
Capital Adequacy:				
Tier 1 ratio ⁽⁷⁾	16.3%	13.2%	13.5%	12.3%
Capital Adequacy Ratio ⁽⁸⁾	17.6%	14.1%	16.3%	14.6%
Other Information:				
Average employees during the period	23,443	24,622	24,622	24,203
Branches at period end.....	1,142	1,201	1,250	1,296
Inflation rate/GDP %:				
Producer price index inflation ⁽⁹⁾	8.9%	13.3%	2.5%	6.2%
Gross Domestic Product (% change) ⁽¹⁰⁾	9.2%	8.8%	2.2%	3.7%

(1) Calculated on quarterly averages.

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

(3) Bank-only net interest income *divided by* Bank-only average interest-earning assets. Reserves held at the Central Bank have been excluded from interest-earning assets. Net interest income does not include interest income from the Central Bank.

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

(5) Total shareholders' equity excluding fixed assets, investment property, investments in equity participations and net NPLs, *divided by* total assets.

(6) Total operating expense does not include insurance expense. Expense items as of and for the nine months ended September 30, 2013 are annualized.

(7) The Tier 1 ratio is: (a) the "Tier 1" capital (*i.e.*, the result of the "core capital," which primarily is comprised by the share capital, profit reserves, profit and provisions for possible losses) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations; *however*, such calculations for 2010 and 2011 would differ if Basel II had then been in effect. See "Capital Adequacy" below.

(8) The capital adequacy ratio is: (a) the result of "Tier 1" capital plus "Tier 2" capital (*i.e.*, the "supplementary capital," which comprises general provisions, subordinated debt, unrealized gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and prepaid expenses)) minus items to be deducted from capital (the "deductions from capital," which comprises items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations; *however*, such calculations for 2010 and 2011 would differ if Basel II had then been in effect. See "Capital Adequacy" below.

(9) Base year –2003.

(10) As published by TurkStat. Change for the six month period ended June 30, 2013 compared to the same period of the previous year.

CAPITALIZATION OF THE GROUP

The following table sets forth the total capitalization of the Group as of December 31, 2010, 2011 and 2012 and September 30, 2013. 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
	2010	2011	2012	September 30,
				2013
	<i>(TL thousands)</i>			
Capital stock; legal reserves, retained earnings and other equity accounts	13,397,736	15,568,580	18,554,916	19,858,574
Current period net income attributable to equity holders of the Bank	2,939,156	2,271,539	3,412,022	2,519,943
Total shareholders' equity	16,336,892	17,840,119	21,966,938	22,378,517
Long-term debt ⁽¹⁾	8,571,789	13,720,792	16,188,221	20,602,787
Total capitalization	24,908,681	31,560,911	38,155,159	42,981,304

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

After September 30, 2013, the Bank issued a \$500 million 5.5 year series with a coupon of 5.5% *per annum* on October 21, 2013 under its MTN program.

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 nine months ended September 30, 2012 and 2013 and the financial years ended December 31, 2010, 2011 and 2012. Unless otherwise specified, the financial information presented in this discussion has been extracted from the BRSA Financial Statements for such periods without material adjustment. This section should be read in conjunction with such BRSA Financial Statements and the notes thereto and the other financial information included in or incorporated by reference into this Offering Circular (including the section entitled "Presentation of Financial and Other Information"). The BRSA Financial Statements for such periods have been prepared in accordance with BRSA regulations as described in "Presentation of Financial and Other Information."

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

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 "Cautionary Statement Regarding 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 Relating to the Group and its 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 on the basis of the BRSA Financial Statements in order to focus on the banking and other financial operations in detail, since (unlike IFRS Financial Statements) the consolidated BRSA Financial Statements do not consolidate the Bank's non-financial participations. In addition, because the Group has historically presented its BRSA Financial Statements to investors and potential investors and uses such financials for regulatory requirements, the Bank's management believes that providing BRSA financial data in this Offering Circular will provide for a consistent presentation of the Group's financial performance. For a discussion of current significant differences between the BRSA Financial Statements and IFRS Financial Statements, see Appendix A ("Overview of Significant Differences between IFRS and BRSA Accounting Principles").

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 September 30, 2013, 50 banks were operating in Turkey, 33 of which were deposit-taking banks, 13 of which were investment and development banks and four of which were participation banks, which conduct their business under different legislation in accordance with Islamic banking principles. Of the deposit banks, 18 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 September 30, 2013, the Bank had the largest nationwide branch and ATM network among private sector banks in Turkey, with 1,276 domestic branches, 20 international branches and over 5,521 domestic ATMs (sources: Banks Association of Turkey and Interbank Card Center).

As of September 30, 2013, the Group's capital adequacy ratio was 14.6% (12.3% when calculated using Tier 1 capital only) calculated in accordance with the Basel II rules that came into effect on July 1, 2012. See "–Capital Adequacy" below. As of the same date, the Group's shareholders' equity was TL 25,437 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 26.4% and its cash loan to deposit ratio was 117.0%. The Group's net operating income was TL 3,916 million in 2010, TL 3,088 million in 2011, TL 4,661 million in 2012 and TL 3,483 million for the nine months ended September 30, 2013 (TL 3,304 million for the nine months ended September 30, 2012), while its net period profit from continuing operations was TL 3,232 million in 2010, TL 2,389 million in 2011, TL 3,715 million in 2012 and

TL 2,818 million for the nine months ended September 30, 2013 (TL 2,654 million for the nine months ended September 30, 2012).

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

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

As of September 30, 2013, the Group had total assets of TL 233,510 million, an increase of 16.1% from TL 201,075 million as of December 31, 2012, itself a 9.3% increase from TL 183,936 million as of December 31, 2011 (a 22.0% increase from TL 150,811 million as of December 31, 2010). As of September 30, 2013, the Group had total deposits of TL 129,692 million, an increase of 13.8% from TL 106,011 million as of December 31, 2012, itself a 7.3% increase from TL 98,832 million as of December 31, 2011 (a 11.7% increase from TL 88,477 million as of December 31, 2010). Accordingly, the Bank's management believes that the Group's strong balance sheet has supported its ability to attract a strong deposit base, even through the global financial crisis, and benefitted from a "flight to quality" during difficult market conditions, with deposits continuing to grow for each of the periods under review.

The Bank's loan portfolio grew from TL 64,232 million as of December 31, 2010 to TL 91,621 million as of December 31, 2011, TL 106,716 million as of December 31, 2012 and TL 131,813 million as of September 30, 2013, a growth rate of 42.6% in 2011, 16.5% in 2012 and 23.5% for the nine months ended September 30, 2013. While the Bank's policy was historically to provide fully (at a rate of 100%) for its non-performing loan portfolio, since the third quarter of 2012 the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulation. For additional information on regulatory requirements for provisioning, see "Business of the Group – Loan Classification and Provisioning Policy," "Risk Factors – Banking Regulatory Matters" and "Turkish Regulatory Environment – Loan Loss Reserves." The Bank's NPL ratios were 1.8%, 1.9%, 2.1% and 3.6% as of September 30, 2013 and December 31, 2012, 2011 and 2010, respectively (see "Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisioning for Impaired Loans").

As of September 30, 2013, 38.0% of the Group's performing loans and 42.2% of the Group's total deposits were denominated in foreign currencies, principally U.S. Dollars and Euro.

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

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

Turkish Economy

The majority of the Group's operations are in Turkey, and its business and results of operations are significantly affected by general economic conditions in Turkey. As of September 30, 2013, 93.6% of the Group's total assets were in Turkey. Accordingly, the Group's results of operations and financial condition have been and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the rate of inflation and fluctuations in exchange and interest rates. The economic contraction in Turkey beginning in 2008 and reaching its peak in 2009 limited lending growth and caused a decline in asset quality in the Turkish banking sector. The Group's operations experienced a similar trend, with the Group limiting its lending activities and increasing the stringency of its lending and

credit policies; *however*, starting in 2010 there was a rapid recovery in lending growth and NPL ratios displayed a declining trend both for Turkish financial institutions as a whole and for the Group's operations in particular, although this trend may stabilize. In 2011, the Central Bank increased its funding rates and reserve requirement rates in order to suppress loan growth and moderate the growth of the Turkish economy. In 2012, Basel II took effect and had a similar impact due to the additional capital requirements applying to certain types of credit exposures and other controls imposed under Basel II. After a mild economic slowdown, the Central Bank started to loosen monetary policy in the second half of 2012 and domestic demand started to recover in the first quarter of 2013; *however*, capital inflows have weakened since May 2013 due to uncertainties regarding global monetary policies (particularly those in the United States) and as a result the Central Bank has tightened monetary policy in order to support financial stability.

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

	2008	2009	2010	2011	2012	For the nine months ended September 30, 2013 ⁽¹⁾
Nominal GDP at current prices (TL millions)	950,534	952,559	1,098,799	1,297,713	1,415,786	740,134
Real GDP growth.....	0.7%	(4.8)%	9.2%	8.8%	2.2%	3.7%
Deficit/surplus of consolidated budget /GDP	(1.8)%	(5.5)%	(3.6)%	(1.4)%	(2.1)%	NA
Consumer Price Inflation ⁽²⁾	10.1%	6.5%	6.4%	10.4%	6.2%	7.9%
Producer Price Inflation ⁽²⁾	8.1%	5.9%	8.9%	13.3%	2.5%	6.2%
Central Bank overnight TL interest rate, period-end ⁽³⁾	15.00%	6.50%	1.50%	5.00%	5.00%	3.50%
Refinancing rate of the Central Bank, period-end	17.5%	9.0%	9.0%	12.5%	9.00%	7.75%
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar ⁽⁴⁾	(29.8)%	0.4%	(2.7)%	(23.3)%	6.5%	(14.2)%
CPI-based real effective exchange rate appreciation (depreciation) (2003=100)	(12.7)%	1.7%	7.7%	(12.9)%	7.8%	(6.6)%
Total gross gold and international currency reserves, period end (U.S. Dollars, millions)	73,347	73,358	85,960	88,218	120,290	131,060

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

⁽¹⁾ Nominal GDP at current prices and GDP growth are presented on the basis of the six months ended June 30, 2013 compared against the same period of the prior year. Inflation, nominal depreciation of the Turkish Lira against the U.S. Dollar and real effective exchange rate are presented on the basis of the nine months ended September 30, 2013 compared against the same period of the prior year.

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

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

⁽⁴⁾ Central Bank buying rates.

Interest Rates

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

Because the Group's interest-bearing liabilities (principally deposits) generally re-price faster than its interest-earning assets, changes in the short-term interest rates in the economy generally are reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio may increase and its interest margins can improve), but can also be negatively impacted (for example, through the decline in net interest margins on assets funded by 0% interest rate demand deposits). On the other hand, when short-term rates increase, the Group's interest margin is generally negatively affected as it will generally pay higher interest

rates on its interest-bearing liabilities before it can modify the rates of its interest-earning assets. An increase in long-term rates generally has at least a short-term negative effect on the Group's net interest margin because its interest-earning assets generally have a longer re-pricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest. In addition, rising interest rates are expected to reduce the value of the Group's existing securities investment portfolio while ultimately being expected to result in increased interest income on additional assets included in this portfolio.

As of September 30, 2013 and December 31, 2012, 2011 and 2010, approximately 40.8%, 43.2%, 43.7% and 41.4% (respectively) of the Bank's loans and 46.5%, 48.7%, 46.8% and 41.3% (respectively) of the Bank's interest-earning assets were at floating rates. The fixed/floating composition of the Group's assets and liabilities is mainly determined by general market trends and customer demands. As a result, due to the highly competitive banking environment, the Group's ability to change the naturally established composition of loans and deposits is limited. On the other hand, the Group tries to diversify its securities portfolio in terms of maturity and re-pricing periods in order to balance the duration mismatch of the entire balance sheet. In addition, the Group uses derivatives for hedging purposes to keep the duration mismatch of the balance sheet within the limits established by the Board of Directors.

The Group's interest income is primarily comprised of: (a) interest earned on its loan portfolio (TL 10,130 million, or 69.0% of total interest income, in 2012; TL 7,954 million and 72.6% in the nine months ended September 30, 2013) and (b) interest earned from its securities portfolio (TL 4,135 million, or 28.2% of total interest income, in 2012; TL 2,708 million and 24.7% in the nine months ended September 30, 2013). For further information on the Group's securities portfolio, see "-Securities Portfolio."

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

Among the most significant indicators of the movements in interest rates as they affect the Group is the Central Bank reference overnight interest rate. The Central Bank reference overnight interest rate declined from 6.50% as of December 31, 2009 to 1.50% as of December 31, 2010 (at which time the overnight interest rate was no longer linked to the policy rate) in response to the effect of the global economic crisis on banks' liquidity. In August 2011, the rate increased to 5.0% where it remained as of December 31, 2012; *however*, the rate was gradually reduced and stood at 3.5% as of September 30, 2013.

At the meeting of the Monetary Policy Committee of Central Bank on May 18, 2010, the one week repo auction rate became the new policy rate and was set at 7.00%, 50 basis points higher than the overnight borrowing rate. On December 16, 2010, the Monetary Policy Committee decreased its one week repo rate to 6.50%, and further decreased its one week repo rate to 6.25% on January 20, 2011. On August 4, 2011, the Central Bank cut the rate to 5.75% and then further reduced it to 5.50% on December 18, 2012, 5.00% on April 16, 2013 and 4.50% on May 16, 2013. The rate stood at 4.50% as of September 30, 2013.

As a result of the depreciation in the value of the Turkish Lira (which as of August 29, 2013 had depreciated by 10.2% since May 31, 2013), in July and August 2013, the Central Bank increased the upper bound of the interest rate corridor (the lending rate) from 6.50% to 7.25% and then 7.75%. The Central Bank also announced that (with effect from July 24, 2013) there will be no funding to banks via the primary dealer repo facility on additional monetary-tightening days.

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

In line with the monetary policy implementations, and upward shift in the interest rate curve (and consequently an increase in the rates earned by the Group on its assets) and a limited increase in the Group's short-term funding costs was realized. In the first nine months of 2013, the net interest margin of the Bank was 4.3%.

Central Bank Reserve Requirements

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

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

On October 28, 2011, the Central Bank reduced various reserve requirements, some of which were slightly raised on December 19, 2012 with a view to supporting the financial stability of (and lengthening the maturity structure of the foreign exchange liabilities of) the Turkish banking sector. On December 26, 2012, the Central Bank introduced incremental additional reserve requirements to be applicable starting in 2014 for banks depending upon their leverage ratios, which may result in the increase of reserve requirements for each category of foreign exchange or Turkish Lira liabilities by 1.0%, 1.5% or 2.0%. In addition, the Central Bank increased reserve requirement ratios on foreign exchange and Turkish Lira deposits for different maturities at its meetings held in January and February 2013. At the meeting of the Monetary Policy Committee held on May 16, 2013, reserve requirements on foreign exchange deposits and other foreign exchange liabilities for different maturities were further increased. Since that meeting, the Central Bank has kept reserve requirements unchanged. See "Turkish Regulatory Environment – Liquidity and Reserve Requirements."

As a result of these recent changes in reserve requirements, the Bank's weighted average reserve requirement ratio for Turkish Lira deposits as of September 30, 2013 was 11.23%. These reserve rate increases have had a material adverse effect on the Bank's profitability as, due to competitive pressures, the Bank has been only partially able to pass on such increases in its overall costs of funding to customers. The Bank tries to mitigate the adverse impact on net interest margins from increases in reserve requirements by benefiting from the flexibilities offered by the Central Bank for fulfilling the reserve requirement obligations of banks.

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

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

banks with flexibility to adjust the cost of their Turkish Lira reserve requirements. The Group's policy is to seek to meet its Turkish Lira reserve requirement obligations by holding these assets in order to seek to decrease the total cost of its Turkish Lira reserve requirements.

Exchange Rates

A portion of the Group's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and Euro. As of September 30, 2013, 36.5% of the Group's total assets and 37.7% of the Group's total liabilities were denominated in foreign currencies, principally U.S. Dollars and Euro.

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

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

Even though the Group seeks to balance its actual foreign exchange position based upon the composition of its portfolio, the Group's financial results are impacted by changes in foreign exchange rates as the Group translates such assets and liabilities, and interest earned from and paid on those assets and liabilities, into Turkish Lira. The overall effect of exchange rate movements on the Group's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. For 2010, the Group recorded net foreign exchange losses of TL 312 million, and for 2011 and 2012, foreign exchange gains of TL 17 thousand and TL 399 million, respectively. In the nine months ended September 30, 2013, the Group recorded net foreign exchange gains of TL 469 million.

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

Securities Portfolio

The Group maintains a securities portfolio that primarily includes Turkish government debt securities. The Group's investment securities portfolio amounted to TL 40,702 million as of September 30, 2013. Of this amount, TL 7,684 million, or 18.9%, was classified as held to maturity and TL 33,018 million, or 81.1%, was classified as available for sale. The Group also had a trading securities portfolio amounting to TL 1,627 million as of September 30, 2013. Interest income derived from the Group's trading and investment securities amounted to TL 2,708 million for the nine months ended September 30, 2013, accounting for 24.7% of total interest income for the period (TL 3,197 million and 29.0% for the nine months ended September 30, 2012), TL 4,135 million for 2012, accounting for 28.2% of total interest income for the year, and amounted to TL 4,221 million for 2011, constituting 34.9% of the total interest income for the year. The Group sought to increase its securities portfolio between 2008 and 2010 (which increased to 34.4% as of December 31, 2010) as customer demand for loans diminished and the quality of the loan portfolio became a major concern after the beginning of the recent global financial crisis. Since December 31, 2010 the relative size of the securities portfolio has decreased to 18.1% of total assets as of September 30, 2013, as credit demand has recovered in Turkey and asset quality has improved. Moreover, the Group also benefitted from attractive yields and trading gains from its securities portfolio (in particular on Turkish government securities (including CPI linked securities)) between 2008 and 2010; *however*, the yields from securities has declined after 2010 as the yield curve (in particular for Turkish government securities) shifted downward during the lower interest rate environment. Notwithstanding the changes during recent years, the Group's earnings from its securities portfolio have remained fairly constant.

Expansion of Branch Network

As of September 30, 2013, the Bank, with its 1,276 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: Banks Association of Turkey). In 76 cities out of the country's 81, the Bank was the leading private sector bank in terms of the number of branches as of September 30, 2013 according to the Banks Association of Turkey. Unlike many of its competitors, in addition to the city branches, the Bank also has branches in rural districts. The Bank opened 63 new domestic branches in 2011 (six branches were consolidated with other branches during 2011), 47 new domestic branches in 2012 and 46 new domestic branches during the first nine months of 2013 (one branch was consolidated with other branches in the same period). The Bank currently plans to open at least 13 additional domestic branches in the final three months of 2013 and 60-80 additional domestic branches in 2014. The Bank's management believes that the expansion of the Bank's branch network over the periods under review has helped support the growth of its assets and liabilities; *however*, this growth has also resulted in an increase in expense relating to increased numbers of employees, branch operating expenses and general advertising expenses.

Provisioning for Impaired Loans

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

As part of the Group's risk management principles and effective management of its loan portfolio, the Group monitors market conditions and selectively sells NPLs when doing so is viewed as maximizing recovery rates and returns.

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

Impact of Financial Participations

The BRSA Financial Statements include the financial condition and results of operation of the Bank's banking business as well as its financial participations. Such financial participations have a limited impact on the Bank's financial condition and results of operations as the Bank's banking business accounted for approximately 93% of the value of loans, 99% of the value of deposits and 84% of the value of securities included on the Group's balance sheet in the September 30, 2013 BRSA Financial Statements.

Critical Accounting Policies

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

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

Consolidation of Subsidiaries and Associates

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

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

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

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

Classification and Measurement of Financial Assets

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

Employee Benefits Obligations

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

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

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

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

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

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

Interest Income and Expenses

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

Fee and Commission Income and Expenses

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

Key Performance Indicators

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

Ratios	As of (or for the year ended) December 31,			As of (or for the nine month period ended)
	2010	2011	2012	September 30, 2013
Net interest margin ⁽¹⁾⁽²⁾	4.3%	3.7%	4.2%	4.3%
Cost-to-income ratio ⁽³⁾	42.0%	48.5%	47.1%	45.4%
Free capital ratio ⁽⁴⁾	8.0%	7.0%	8.2%	7.3%
Tier 1 ratio ⁽⁵⁾	16.3%	13.2%	13.5%	12.3%
Capital adequacy ratio ⁽⁶⁾	17.6%	14.1%	16.3%	14.6%
Coverage ratio ⁽⁷⁾	100.0%	100.0%	76.8%	76.9%
Return on average total assets ⁽¹⁾⁽⁹⁾	2.3%	1.4%	1.9%	1.6%
Return on average shareholders' equity excluding minority interest ⁽¹⁾⁽⁸⁾⁽⁹⁾	20.2%	13.2%	17.5%	15.2%

(1) Calculated on quarterly averages.

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

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

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

(5) The Tier 1 ratio is: (a) the "Tier 1" capital (*i.e.*, the result of the "core capital," which primarily is comprised by the share capital, profit reserves, profit and provisions for possible losses) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations; *however*, such calculations for 2010 and 2011 would differ if Basel II had then been in effect. See "Capital Adequacy" below.

(6) The capital adequacy ratio is: (a) the result of "Tier 1" capital *plus* "Tier 2" capital (*i.e.*, the "supplementary capital," which comprises general provisions, subordinated debt, unrealized gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and prepaid expenses)) *minus* items to be deducted from capital (the "deductions from capital," which comprises items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations; *however*, such calculations for 2010 and 2011 would differ if Basel II had then been in effect. See "Capital Adequacy" below.

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

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

(9) For the nine months ended September 30, 2013, presented on an annualized basis

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

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

	For the nine months ended September 30,				
Consolidated Income Statement Data	2010	2011	2012	2012	2013
	(TL thousands, except where indicated)				
Interest Income	10,850,750	12,081,352	14,676,856	11,012,616	10,958,492
Interest Income on Loans	6,180,827	7,498,817	10,129,963	7,516,511	7,954,042
Interest Received from Reserve Deposits	—	—	—	—	—
Interest Received from Banks	347,848	194,132	199,780	139,004	123,383
Interest Received from Money Market Placements	7,954	5,176	7,762	6,826	11,398
Interest Received from Marketable Securities Portfolio	4,178,647	4,220,638	4,135,462	3,196,621	2,707,716
Financial Assets Held for Trading	76,977	63,911	99,255	67,526	36,217
Financial Assets at Fair Value Through Profit and Loss	—	—	—	—	—
Financial Assets Available for-Sale	2,411,536	2,392,929	2,494,658	1,911,600	1,635,342
Held to Maturity Investments	1,690,134	1,763,798	1,541,549	1,217,495	1,036,157
Finance Lease Income	84,080	102,550	107,110	78,253	88,992
Other Interest Income	51,394	60,039	96,779	75,401	72,961
Interest Expense	5,440,180	6,664,356	7,834,591	6,109,672	5,106,858
Interest on Deposits	4,174,618	4,931,769	5,409,094	4,188,175	3,437,099
Interest on Funds Borrowed	625,306	373,450	417,738	300,956	371,290
Interest on Money Market Funds	623,945	1,109,917	1,476,204	1,234,509	816,255
Interest on Securities Issued	5,722	209,706	454,618	322,612	416,673
Other Interest Expense	10,589	39,514	76,937	63,420	65,541
Net Interest Income/Expense	5,410,570	5,416,996	6,842,265	4,902,944	5,851,634
Net Fees and Commissions Income/Expense	997,891	1,102,726	1,258,319	881,641	1,108,442
Fees and Commissions Received	1,509,200	1,788,674	2,081,434	1,501,515	1,798,989
Non-cash Loans	123,430	141,504	194,994	143,699	167,193
Other	1,385,770	1,647,170	1,886,440	1,357,816	1,631,796
Fees and Commissions Paid	511,309	685,948	823,115	619,874	690,547
Non-cash Loans	5,232	6,359	9,673	7,153	6,625
Other	506,077	679,589	813,442	612,721	683,922
Dividend Income	45,785	171,477	205,032	204,948	237,351
Trading Income (net)	292,912	446,913	871,070	490,612	425,587
Gains/Losses on Securities Trading	656,230	132,031	767,177	395,601	175,701
Derivative Financial Transactions Gains/Losses	(51,340)	314,865	(295,502)	(231,338)	(218,663)
Foreign Exchange Gains/Losses	(311,978)	17	399,395	326,349	468,549
Other Operating Income	4,026,561	4,060,685	4,559,561	3,360,856	3,444,752
Total Operating Income / Expense	10,773,719	11,198,797	13,736,247	9,841,001	11,067,766
Provision for Loans and Other Receivables	1,185,911	1,494,935	1,291,545	855,733	1,572,268
Other Operating Expenses	5,671,987	6,615,795	7,783,373	5,681,731	6,012,638
Net Operating Income	3,915,821	3,088,067	4,661,329	3,303,537	3,482,860
Profit/Loss From Associates Using the Equity Method	4,806	9,842	12,317	10,838	6,301
Profit/Loss On Continuing Operations Before Tax	3,920,627	3,097,909	4,673,646	3,314,375	3,489,161
Tax Provision For Continuing Operations	688,933	708,541	958,912	659,950	671,113
Current Tax Provision	897,266	395,096	1,263,465	871,560	327,841
Deferred Tax Provision	(208,333)	313,445	(304,553)	(211,610)	343,272
Net Period Profit/Loss From Continuing Operations	3,231,694	2,389,368	3,714,734	2,654,425	2,818,048
Group's profit/loss	2,939,156	2,271,539	3,412,022	2,439,335	2,519,943
Minority shares	292,538	117,829	302,712	215,090	298,105
Earnings Per Share ⁽¹⁾	0.026125309	0.020191054	0.030328478	0.021682544	0.022399045

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

Results of Operations for the nine months ended September 30, 2013 and 2012

Interest Income

The Group's interest income decreased by 0.5%, from TL 11,013 million in the nine months ended September 30, 2012 to TL 10,958 million in the nine months ended September 30, 2013.

The Group's interest income is primarily derived from interest on loans and interest on securities. For the nine months ended September 30, 2013, interest income from loans totaled TL 7,954 million (72.6% of total interest income) and interest income from securities totaled TL 2,708 million (24.7% of total interest income), compared to TL 7,517 million (68.3%) and TL 3,197 million (29.0%), respectively, in the nine months ended September 30, 2012. With respect to interest income derived from the Bank's loan portfolio, the Bank's average interest rates on loans to customers decreased from 10.2%

for the nine months ended September 30, 2012 to 8.6% in the nine months ended September 30, 2013. This decrease was partially offset by an increase in the Bank's average volume of loans during the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012 from TL 91,794 million to TL 115,517 million (an increase of 25.8%) as a result of growth mainly in housing and Turkish Lira-denominated commercial and corporate loans. The growth was due in part to general improvement in the Turkish economy during this period and also to the Bank's decision to target customers in these segments of the economy. With respect to interest on the securities portfolio, the average balance in the nine months ended September 30, 2013 decreased to TL 33,207 million as compared to TL 37,792million in the nine months ended September 30, 2012 (due to both the sale of securities and the receipt of principal payments on securities in the portfolio) and the average interest rates on securities held decreased from 10.0% in the nine months ended September 30, 2012 to 9.3% in the nine months ended September 30, 2013.

Interest Expense

The Group's interest expense decreased by 16.4% from TL 6,110 million in the nine months ended September 30, 2012 to TL 5,107 million in the nine months ended September 30, 2013. This decrease was due to 17.9% and 33.9% year-on-year decreases in interest expenses on deposits and funds borrowed under repurchase agreements, respectively. These decreases were primarily driven by the impact of the low interest rate environment, increasing utilization levels of other funding resources and steady levels of liquidity due to the global risk appetite. As of September 30, 2013, the Group had TL 20,663 million in funding through repos and TL 120,692 million in deposits, a repo-to-deposit ratio of 17.1% (for September 30, 2012, TL 16,345 million, TL 102,290 million and 16.0%, respectively).

Net Interest Income

The Group's net interest income increased by 19.4% from TL 4,903 million in the nine months ended September 30, 2012 to TL 5,852 million in the nine months ended September 30, 2013. The Bank's net interest margin in the nine months ended September 30, 2013 was 4.3% as compared to 4.1% in the nine months ended September 30, 2012. These increases were primarily due to higher spreads and larger volumes of the loan portfolio. For further information regarding the factors that resulted in this change in the Group's net interest margins, see "—Interest Income" and "—Interest Expense."

Net Fees and Commission Income

The Group's net fees and commission income increased by 25.6% from TL 882 million in the nine months ended September 30, 2012 to TL 1,108 million in the nine months ended September 30, 2013. This increase was largely driven by refinancing fees related to housing loans (which are classified in "other fees and commissions"), commissions from fund transfers and commissions from the credit card business.

Dividend Income

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

Trading Income/(Loss)(Net)

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income decreased by 13.3% from TL 491 million in the nine months ended September 30, 2012 to TL 426 million in the nine months ended September 30, 2013. This decrease was primarily driven by reduced profitability of securities trading due to an increase in interest rates on Turkish government bonds.

Other Operating Income

The Group's other operating income increased by 2.5% from TL 3,361 million in the nine months ended September 30, 2012 to TL 3,445 million in the nine months ended September 30, 2013. A portion of this increase was attributable to the sale of subsidiaries, sale of real estate and reduction in provisions related to sales of subsidiaries.

Contribution from operations of the Group's insurance/reinsurance companies to Group's other operational income was TL 2,391 million and TL 2,305 million in the nine months ended September 30, 2013 and 2012, respectively.

A significant component of the Group's other operating income in the nine months ended on each of September 30, 2012 and 2013 has been its collections of NPLs. During the nine months ended September 30, 2013, the Group collected approximately TL 818 million, or 38.0%, of its NPLs as of December 31, 2012, as compared to TL 523 million, or 24.8%, of its NPLs as of December 31, 2011 collected during the nine months ended September 30, 2012.

Provisioning for Loans and other Receivables

The Group's provisioning for loans and other receivables increased by 83.6% from TL 856 million in the nine months ended September 30, 2012 to TL 1,572 million in the nine months ended September 30, 2013. This increase was principally attributable to a 129.5% increase in general loan provisions as a result of stronger loan growth in the nine months ended September 30, 2013 and a 83.9% increase in specific provisions, which resulted from an increase in new NPLs. The NPL ratio decreased to 1.8% as of September 30, 2013 as compared to 2.1% as of September 30, 2012 (also 1.8% as of December 31, 2012), notwithstanding that the total value of new NPLs increased from TL 771 million in the nine months ended September 30, 2012 to TL 1,322 million in the nine months ended September 30, 2013.

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

	As of September 30,	
	2012	2013
	(TL thousands)	
Specific Provisions for Loans and Other Receivables⁽¹⁾	405,984	746,760
Group III Loans and Receivables ⁽²⁾	64,863	83,943
Group IV Loans and Receivables ⁽²⁾	144,996	254,011
Group V Loans and Receivables ⁽²⁾	196,125	408,806
General Loan Provision Expenses	245,094	562,512
Provision Expenses for Potential Risks	50,000	—
Marketable Securities Impairment Losses	5,571	36,059
Financial Assets at Fair Value through Profit and Loss	2,856	30,882
Financial Assets Available for Sale	2,715	5,177
Other⁽³⁾	149,084	226,937
Total	855,733	1,572,268

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

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

(3) Due to a change in reporting for provisions set aside for dividends, an "other provision expense" in the first nine months of 2012 of TL 170,640 for the previous year's dividend payment has been reclassified as "other operating expense."

Other Operating Expenses

The Group's other operating expenses increased by 5.8% from TL 5,682 million in the nine months ended September 30, 2012 to TL 6,013 million in the nine months ended September 30, 2013. This change was principally attributable to losses on sales of subsidiaries and provisions set aside for a dividend to be distributed to employees in accordance with "IAS 19 – Employee Benefits". Expenses related to operations of the Group's insurance/reinsurance companies constituted TL 1,812 million and TL 1,823 million of the Group's other operating expenses in the nine months ended September 30, 2013 and 2012, respectively.

Net Profit from Continuing Operations

The Group's net profit from continuing operations increased by 6.2% from TL 2,654 million in the nine months ended September 30, 2012 to TL 2,818 million in the nine months ended September 30, 2013. This increase in net profit was primarily due to a 19.3% increase in net interest income and a 25.7% increase in net fee and commission income. Dividend

income and other operating income also contributed to the 12.5% increase in pre-provision operating income, which offset the 5.8% increase in pre-provision operating expenses. As a result, net operating income increased by 5.4% from TL 3,304 million in the nine months ended September 30, 2012 to TL 3,483 million in the nine months ended September 30, 2013.

For the nine months ended September 30, 2013, the Bank's return on average assets of its banking business was 1.5% and the return on average equity of its banking business was 18.7%.

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

Interest Income

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

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

Interest Expense

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

Net Interest Income

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

Net Fees and Commission Income

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

Dividend Income

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

Trading Income/(Loss)(Net)

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

Other Operating Income

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

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

Provisioning for Loans and other Receivables

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

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

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

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

Other Operating Expenses

The Group's other operating expenses increased by 17.6% from TL 6,616 million in 2011 to TL 7,783 million in 2012. This increase was principally attributable to increase in provision expense related to pension fund deficit of the Bank, provisions set aside for a dividend to be distributed to employees in accordance with "IAS 19 – Employee Benefits" and wage

increases considering the collective bargaining agreement agreed on March 4, 2013. Expenses related to operations of the Group's insurance/reinsurance companies constituted TL 2,482 million and TL 2,305 million of the Group's other operating expenses in 2012 and 2011, respectively.

Net Profit from Continuing Operations

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

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

Interest Income

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

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

Interest Expense

The Group's interest expense increased by 22.5% from TL 5,440 million in the year ended December 31, 2010 to TL 6,664 million in the year ended December 31, 2011. This increase was in large part due to the 18.1% increase in interest expense on deposits, which was largely driven by a rise in funding costs but also by the 11.7% increase in deposits. Also, securities issued by the Bank led to a TL 204 million increase in the interest expense on securities issued.

Net Interest Income

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

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

Net Fees and Commission Income

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

Dividend Income

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

Trading Income/(Loss)(Net)

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

Other Operating Income

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

Provisioning for Loans and other Receivables

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

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

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

⁽¹⁾ For a description of the Loans and Receivables categories, see “Business of the Group – Loan Classification and Provisioning Policy.”

Other Operating Expenses

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

Net Profit from Continuing Operations

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

Segmental Analysis

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

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

The following table sets forth certain information regarding the Group’s business segments as of and for the nine months ended September 30, 2013:

	As of (or for the nine months ended) September 30, 2013						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
	(TL thousands)						
OPERATING INCOME/EXPENSE							
Interest Income	2,008,637	3,479,479	2,404,187	31,343	2,843,360	191,486	10,958,492
Interest Income from Loans	1,946,790	3,414,301	2,404,187	31,343		157,421	7,954,042
Interest Income from Banks					123,383		123,383
Interest Income from Money Market Transactions					11,398		11,398
Interest Income from Securities					2,707,716		2,707,716
Finance Lease Income	39,674	49,318					88,992
Other Interest Income	22,173	15,860			863	34,065	72,961
Interest Expense	747,715	508,480	1,215,981	784,854	1,474,326	375,502	5,106,858
Interest Expense on Deposits	617,413	508,480	1,215,981	784,854		310,371	3,437,099
Interest Expense on Funds Borrowed	130,302				240,988		371,290
Interest Expense on Money Market Transactions					816,255		816,255
Other Interest Expense					416,673		416,673
Interest Expense on Securities Issued					410	65,131	65,541
Net Interest Income	1,260,922	2,970,999	1,188,206	(753,511)	1,369,034	(184,016)	5,851,634
Net Fees and Commissions Income	(49,755)	555,533	677,210	18,072	59,915	(152,533)	1,108,442
Fees and Commissions Received	173,374	761,124	677,333	18,072	158,107	10,979	1,798,989
Fees and Commissions Paid	223,129	205,591	123		98,192	163,512	690,547
Dividend Income					237,351		237,351
Trading Income/Loss (Net)					425,587		425,587
Other Income	739,234	1,363,216	754,485	21	303,531	290,566	3,451,053
Prov. for Loans and Other Receivables	31,615	471,141	235,018	1,171	15,995	817,328	1,572,268
Other Operating Expense	573,904	1,704,251	1,661,857	21,912	238,023	1,812,691	6,012,638
Income Before Tax	1,344,882	2,714,356	723,026	(758,501)	2,141,400	(2,676,002)	3,489,161
Tax Provision							671,113
Net Period Profit							2,818,048
Group Profit/Loss							2,519,943
Minority Shares’ Profit/Loss							298,105
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L					2,664,366		2,664,366
Banks and Other Financial Institutions					5,145,282		5,145,282
Money Market Placements					329,091		329,091
Financial Assets Available for Sale					33,018,205		33,018,205
Loans and Receivables	52,192,242	52,904,744	32,116,475	523,060		4,037,466	141,773,987
Held to Maturity Investments					7,684,218		7,684,218
Associates and Subsidiaries					4,284,299		4,284,299
Lease Receivables	1,008,020	743,118			6,038		1,757,176
Other	977,087	264,018			1,069,522	34,542,973	36,853,600
Total	54,177,349	53,911,880	32,116,475	523,060	54,201,021	38,580,439	233,510,224
SEGMENT LIABILITIES AND EQUITY							
Deposits	18,617,763	24,151,985	45,241,517	22,255,148		10,425,907	120,692,320
Derivative Financial Liabilities Held for Trading					827,519		827,519
Funds Borrowed	10,077,186				13,586,808		23,663,994
Money Market Funds					22,773,588		22,773,588
Securities Issued					11,116,882		11,116,882
Other Liabilities	60,604				169,771	17,821,313	18,051,688
Provisions						10,947,290	10,947,290
Shareholders’ Equity						25,436,943	25,436,943
Total	28,755,553	24,151,985	45,241,517	22,255,148	48,474,568	64,631,453	233,510,224

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

	As of (or for the nine months ended) September 30, 2012						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
	(TL thousands)						
OPERATING INCOME/EXPENSE							
Interest Income	1,698,710	3,371,436	2,421,126	30,981	3,342,451	147,912	11,012,616
Interest Income from Loans.....	1,663,990	3,293,071	2,421,097	30,981		107,372	7,516,511
Interest Income from Banks.....					139,004		139,004
Interest Income from Money Market Transactions.....					6,826		6,826
Interest Income from Securities.....					3,196,621		3,196,621
Finance Lease Income.....	34,720	43,533					78,253
Other Interest Income.....		34,832	29			40,540	75,401
Interest Expense	901,632	776,988	1,490,714	954,963	1,811,146	174,229	6,109,672
Interest Expense on Deposits.....	854,244	776,988	1,490,714	954,963		111,266	4,188,175
Interest Expense on Funds Borrowed.....	47,388				253,568		300,956
Interest Expense on Money Market Transactions.....					1,234,509		1,234,509
Other Interest Expense.....					322,612		322,612
Interest Expense on Securities Issued.....					457	62,963	63,420
Net Interest Income	797,078	2,594,448	930,412	(923,982)	1,531,305	(26,317)	4,902,944
Net Fees and Commissions Income	(21,071)	119,491	437,703	12,384	40,169	292,965	881,641
Fees and Commissions Received.....	155,696	365,056	437,753	12,384	90,603	440,023	1,501,515
Fees and Commissions Paid.....	176,767	245,565	50		50,434	147,058	619,874
Dividend Income					204,948		204,948
Trading Income/Loss (Net)					490,612		490,612
Other Income	834,218	990,883	1,158,632	90	88,608	299,263	3,371,694
Prov. for Loans and Other Receivables	5,654	285,624	153,988	710	22	409,735	855,733
Other Operating Expense	739,872	1,227,764	2,121,629	57,582	144,608	1,390,276	5,681,731
Income Before Tax	864,699	2,191,434	251,130	(969,800)	2,211,012	(1,234,100)	3,314,375
Tax Provision.....							659,950
Net Period Profit							2,654,425
Group Profit/Loss.....							2,439,335
Minority Shares' Profit/Loss.....							215,090
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L.....					2,084,760		2,084,760
Banks and Other Financial Institutions.....					4,494,937		4,494,937
Money Market Placements.....					201,236		201,236
Financial Assets Available for Sale.....					31,821,178		31,821,178
Loans and Receivables.....	38,206,517	39,716,684	25,878,214	381,248		2,632,958	106,815,621
Held to Maturity Investments.....					10,923,516		10,923,516
Associates and Subsidiaries.....					3,963,383		3,963,383
Lease Receivables.....	696,651	659,822			3,187		1,359,660
Other.....	324,710	449,122	1,142		1,159,681	27,426,176	29,360,831
Total	39,227,878	40,825,628	25,879,356	381,248	54,651,878	30,059,134	191,025,122
SEGMENT LIABILITIES AND EQUITY							
Deposits.....	19,040,538	19,902,087	41,722,578	18,078,469		3,546,292	102,289,964
Derivative Financial Liabilities Held for Trading.....					720,060		720,060
Funds Borrowed.....	785,538				17,971,349		18,756,887
Money Market Funds.....					18,471,620		18,471,620
Securities Issued.....					5,724,560		5,724,560
Other Liabilities.....	34,920				106,177	12,088,956	12,230,053
Provisions.....						9,809,542	9,809,542
Shareholders' Equity.....						23,022,436	23,022,436
Total	19,860,996	19,902,087	41,722,578	18,078,469	42,993,766	48,467,226	191,025,122

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

As of (or for the year ended) December 31, 2012

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

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

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

As of (or for the year ended) December 31, 2011

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

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

Financial Condition

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

	As of December 31,			As of
	2010	2011	2012	September 30, 2013
	(TL thousands)			
ASSETS				
Cash And Balances with the Central Bank	8,595,906	13,886,577	16,111,127	21,629,875
Financial Assets At Fair Value Through Profit And Loss (Net)	1,837,110	2,418,121	2,202,641	2,664,366
Financial Assets Held for Trading	1,837,110	2,418,121	2,202,641	2,664,366
Government Debt Securities	1,052,141	976,193	983,313	1,049,898
Share Certificates	245,928	153,621	195,388	76,543
Derivative Financial Assets Held for Trading	274,615	961,689	642,523	1,037,616
Other Marketable Securities	264,426	326,618	381,417	500,309
Banks	6,375,798	4,747,906	4,551,893	5,145,282
Money Market Placements	10,194	171,613	81,675	329,091
Interbank Money Market Placements	—	43,141	—	—
Borsa İstanbul Money Market Placements	1,247	120,520	72,968	317,811
Receivables from Reverse Repurchase Agreements	8,947	7,952	8,707	11,280
Financial Assets Available For Sale (Net)	36,181,207	33,557,066	32,173,825	33,018,205
Share Certificates	72,207	70,887	137,480	139,350
Government Debt Securities	32,283,794	30,445,391	30,115,407	30,809,355
Other Marketable Securities	3,825,206	3,040,788	1,920,938	2,069,500
Loans	69,077,804	99,028,122	115,218,483	141,773,987
Loans	69,077,804	99,028,122	114,718,779	141,177,186
Loans to the Bank's Risk Group	460,281	702,189	567,177	611,082
Other	68,617,523	98,325,933	114,151,602	140,566,104
Non-Performing Loans	2,463,597	2,109,419	2,154,482	2,578,569
Specific Provisions (-)	2,463,597	2,109,419	1,654,778	1,981,768
Factoring Receivables	331,320	404,653	1,014,940	911,600
Held To Maturity Investments (Net)	14,070,629	13,707,432	11,048,779	7,684,218
Government Debt Securities	14,052,833	13,686,705	11,033,267	7,665,735
Other Marketable Securities	17,796	20,727	15,512	18,483
Investments In Associates (Net)	794,592	776,951	778,281	764,483
Associates Accounted for Using the Equity Method	64,563	74,405	86,722	93,023
Unconsolidated Associates	730,029	702,546	691,559	671,460
Financial Investments	3,150	—	—	—
Non-Financial Investments	726,879	702,546	691,559	671,460
Investments In Subsidiaries (Net)	2,746,829	3,202,087	3,620,153	3,519,816
Unconsolidated Financial Subsidiaries	—	—	—	—
Unconsolidated Non-Financial Subsidiaries	2,746,829	3,202,087	3,620,153	3,519,816
Lease Receivables	963,265	1,376,390	1,384,455	1,757,176
Finance Lease Receivables	1,126,600	1,599,365	1,606,625	2,012,126
Operating Lease Receivables	968	2,278	3,125	6,038
Unearned Income (-)	164,303	225,253	225,295	260,988
Tangible Assets (Net)	1,999,633	2,166,852	2,139,784	2,186,406
Intangible Assets (Net)	56,114	120,352	189,627	275,566
Goodwill	7,170	29,590	35,974	35,974
Other	48,944	90,762	153,653	239,592
Investment Property (Net)	1,242,157	1,037,294	1,108,704	1,069,522
Tax Assets	836,057	655,919	738,397	652,060
Current Tax Asset	15,321	20,135	34,424	22,864
Deferred Tax Asset	820,736	635,784	703,973	629,196
Assets Held For Sale	54,233	60,256	73,295	65,438
Other Assets	5,637,888	6,618,239	8,638,680	10,063,133
Total Assets	150,810,736	183,935,830	201,074,739	233,510,224

	As of December 31,			As of September 30,
	2010	2011	2012	2013
	(TL thousands)			
LIABILITY & EQUITY				
Deposits	88,476,619	98,831,996	106,010,860	120,692,320
Deposits from the Bank's Risk Group.....	2,287,626	2,133,162	2,291,383	2,346,990
Other	86,188,993	96,698,834	103,719,477	118,345,330
Derivative Financial Liabilities Held for Trading	731,310	916,086	760,440	827,519
Funds Borrowed	14,282,865	18,779,275	19,072,787	23,561,882
Money Market Funds	12,969,586	22,472,982	17,030,831	22,773,588
Interbank Money Market Funds	—	—	19,458	—
Borsa İstanbul Money Market Funds.....	1,539,620	1,975,830	2,180,946	2,110,787
Funds Provided Under Repurchase Agreements.....	11,429,966	20,497,152	14,830,427	20,662,801
Marketable Securities Issued (Net)	195,954	3,765,876	6,476,363	9,075,244
Bills.....	195,954	1,888,329	3,487,256	4,057,407
Bonds	—	1,877,547	2,989,107	5,017,837
Funds	—	7,894	9,745	3,429
Sundry Creditors	5,946,252	7,161,721	9,184,478	11,364,121
Other Liabilities	1,181,867	2,442,482	4,884,994	6,337,977
Provisions	7,560,506	8,713,868	10,260,057	10,947,290
General Loan Loss Provision.....	745,322	1,315,935	1,705,153	2,230,193
Reserves for Employee Benefits.....	244,661	287,456	406,691	458,178
Insurance Technical Reserves (Net)	3,792,063	4,334,641	4,651,413	4,783,998
Other Provisions.....	2,778,460	2,775,836	3,496,800	3,474,921
Tax Liability	401,175	438,081	631,853	346,161
Current Tax Liability.....	396,363	433,991	624,583	341,159
Deferred Tax Liability.....	4,812	4,090	7,270	5,002
Subordinated Loans	77,947	95,000	1,893,576	2,143,750
Shareholders' Equity	18,986,655	20,310,569	24,858,755	25,436,943
Paid-in Capital.....	4,500,000	4,500,000	4,500,000	4,500,000
Capital Reserves.....	2,890,175	2,808,602	4,261,752	2,745,959
Share Premium.....	33,937	33,937	33,940	33,940
Marketable Securities Revaluation Reserve.....	1,241,479	1,159,906	2,613,053	1,097,260
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	(1,179)	(1,179)	(1,179)	(1,179)
Other Capital Reserves	1,615,938	1,615,938	1,615,938	1,615,938
Profit Reserves	5,918,120	8,352,002	10,402,674	13,227,374
Legal Reserves	1,610,119	1,838,830	2,031,309	2,286,040
Statutory Reserves.....	28,293	39,586	48,553	59,539
Extraordinary Reserves	4,312,543	6,363,264	8,318,990	10,813,190
Other Profit Reserves	(32,835)	110,322	3,822	68,605
Profit or Loss.....	3,028,597	2,179,515	2,802,512	1,905,184
Prior Years' Profit/Loss.....	89,441	(92,024)	(609,510)	(614,759)
Current Year Profit/Loss	2,939,156	2,271,539	3,412,022	2,519,943
Minority Shares	2,649,763	2,470,450	2,891,817	3,058,426
Total Liabilities and Equity	150,810,736	183,935,830	201,074,739	233,510,224

Assets

As of September 30, 2013, the Group had total assets of TL 233,510 million, an increase of 16.1% compared to TL 201,075 million as of December 31, 2012. The overall increase in the Group's total assets was primarily attributable to 23.0% and 34.3% increases in loans and "Cash and Balances with the Central Bank," respectively. As of September 30, 2013, 93.6% of the Group's total assets were in Turkey. Additional information regarding the Group's assets is set forth in "Selected Statistical and Other Information."

Cash and Balances with the Central Bank

As of September 30, 2013, the Group's cash and balances with the Central Bank was TL 21,630 million, an increase of 34.3% compared to TL 16,111 million as of December 31, 2012. In addition to the increase in reserves resulting from the increase in liabilities, the increase mainly arose from the Central Bank's decision in the first quarter of 2013 to require banks to hold higher levels of reserves. In addition, the Central Bank also gradually raised coefficients relating to the Reserve Option Mechanism, which gives Turkish banks the option to hold foreign exchange or gold reserves in place of a fraction of their Turkish Lira reserve requirements. Accordingly, due to higher option coefficients, the Group has started to hold higher levels of foreign-exchange-denominated reserves for Turkish Lira liabilities.

Loans, Leasing and Factoring Receivables

As of September 30, 2013, the Group had loans, leasing and factoring receivables of TL 143,846 million, an increase of 22.8% compared to TL 117,118 million as of December 31, 2012. This increase in the Group's loans, leasing and factoring receivables was primarily attributable to a 23.1% increase in loans, principally due to the 20.5% increase in Turkish Lira-denominated loans. This increase in Turkish Lira loans was primarily driven by a 20.8% increase in non-retail Turkish Lira-denominated loans. The increase in foreign currency-denominated loans was 27.5%. The growth in foreign currency-denominated loans was 14.4% when adjusted for the change in currency. Additional information regarding the Group's loan portfolio is set forth in "Selected Statistical and Other Information – Loan Portfolio."

Liabilities

As of September 30, 2013, the Group had total liabilities of TL 208,073 million, an increase of 18.1% compared to TL 176,216 million as of December 31, 2012. The overall increase in the Group's total liabilities was primarily attributable to a 33.7% increase in funds borrowed under repurchase agreements, a 13.8% increase in deposits and a 23.5% increase in funds borrowed. Additional information regarding the Group's liabilities is set forth in "Selected Statistical and Other Information."

Shareholders' Equity

As of September 30, 2013, the Group's shareholders' equity amounted to 10.9% of the Group's total assets, compared to 12.4% as of December 31, 2012. TL 797 million allocated for dividend payments was deducted from shareholders' equity in the nine months ended September 30, 2013, which in turn limited the growth in shareholders' equity. Total shareholders' equity was TL 18,987 million, TL 20,311 million, TL 24,859 million and TL 25,437 million as of December 31, 2010, 2011 and 2012 and September 30, 2013, respectively.

Off-Balance Sheet Arrangements

The aggregate amount of off-balance sheet arrangements, comprising guarantees, letters of credit and similar obligations, totaled TL 37,068 million as of September 30, 2013, compared with TL 30,097 million as of December 31, 2012. The increase was largely due to the 25.0% increase in the letters of guarantee portfolio. Additional information regarding the Group's off-balance sheet arrangements is set forth in "Contingencies and Commitments" below and "Selected Statistical and Other Information."

Capital Adequacy

Each of the Bank and the Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures (commitment and contingencies). In accordance with these guidelines, each of the Bank and the Group must maintain a total capital ratio in excess of 8% calculated in accordance with BRSA regulations. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio. As stated above, under the 2013 BRSA Regulation, which will enter into effect on January 1, 2014, Tier 1 capital will be divided into core Tier 1 capital and additional Tier 1 capital. In connection with such classification, the regulation amending the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which will also enter into effect on January 1, 2014, introduces new ratios for the evaluation of capital adequacy. Under the provisions of these amendments, the minimum required total capital ratio will remain at 8% while the core capital adequacy ratio and Tier 1 capital adequacy ratio will be 4.5% and 6%, respectively. Each of the Bank and the Group currently satisfies the capital requirements of the BRSA. See "Turkish Regulatory Environment - Capital Adequacy – Tier 2 Rules under Turkish Law – New Tier 2 Rules" with respect to certain reductions to the Bank's ability to include the full amount of the Notes as Tier 2 capital starting from January 1, 2015.

The BRSA also maintains a policy, on a bank-by-bank basis, of requiring a higher capital adequacy ratio for banks that are seeking to open new branches, with a rate of 12% currently being applied to the Bank. As of September 30, 2013 and December 31, 2012, 2011 and 2010, the Group's capital adequacy ratio was 14.56%, 16.28%, 14.11% and 17.55%, respectively (14.45%, 16.33%, 14.07% and 17.55%, respectively, for the Bank). The Bank intends to maintain its (and the

Group's) capital ratios in excess of those required by both Turkish law and internal risk limits determined by Board of Directors (see "Risk Management").

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

	As of December 31,			As of
	2010	2011	2012	September 30, 2013
	<i>(TL thousands, except percentages)</i>			
Paid-in capital	4,500,000	4,500,000	4,500,000	4,500,000
Paid-in capital inflation adjustments.....	1,615,938	1,615,938	1,615,938	1,615,938
Profit reserves	5,918,120	8,175,522	10,113,697	12,940,288
Profit	3,028,597	2,179,515	2,802,512	1,905,184
Tier 1 Capital (I)	17,982,133	19,841,319	22,715,413	24,768,407
Tier 2 Capital (II).....	1,484,552	1,698,000	4,815,882	4,628,271
Deductions (III)	115,841	352,225	205,724	152,365
Own Funds (I+II-III).....	19,350,844	21,187,094	27,325,571	29,244,313
Risk Weighted Assets (including market and operational risk)	110,259,498	150,205,299	167,802,600	200,897,175
Capital Ratios:				
Tier 1 Ratio	16.3%	13.2%	13.5%	12.3%
Own Funds/Risk Weighted Assets.....	17.6%	14.1%	16.3%	14.6%

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

Non-Financial Participations/Non-BRSA consolidated subsidiaries

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

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

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

	As of (or for the year ended) December 31,			As of (or for the nine months ended September 30,	
	2010	2011	2012	2012	2013
	(TL thousands)				
Total Assets	6,769,991	8,254,776	8,721,608	8,492,681	10,946,553
Total Liabilities	2,623,208	3,098,455	3,115,667	3,115,807	4,633,647
Profit/(loss) for the period	484,314	740,564	318,863	290,393	268,198

AVEA İletişim Hizmetleri A.Ş.

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

Liquidity and Funding

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

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

	As of September 30, 2013		
	TL	Foreign Currencies	Total
	(TL thousands)		
Deposits	69,742,097	50,950,223	120,692,320
Repos and Money Market Funds	18,624,178	4,149,410	22,773,588
Funds Borrowed ⁽¹⁾	8,207,293	26,573,583	34,780,876

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

	As of December 31, 2010			As of December 31, 2011			As of December 31, 2012		
	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total
	(TL thousands)								
Deposits.....	58,510,364	29,966,255	88,476,619	59,387,345	39,444,651	98,831,996	63,574,673	42,436,187	106,010,860
Repos and Money Market Funds.....	9,077,523	3,892,063	12,969,586	16,425,130	6,047,852	22,472,982	13,673,648	3,357,183	17,030,831
Funds Borrowed ⁽¹⁾	1,104,092	13,374,727	14,478,819	3,366,135	19,186,910	22,553,045	6,524,724	20,918,002	27,442,726

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

The Group's deposits constituted in aggregate approximately 51.7%, 52.7%, 53.7% and 58.7% of its total liabilities and shareholders' equity as of September 30, 2013, December 31, 2012, 2011 and 2010, respectively. As of September 30, 2013, the Group's deposits amounted to TL 120,692 million, an increase of 13.8% from TL 106,011 million as of December 31, 2012, itself an increase of 7.3% from TL 98,832 million as of December 31, 2011 (TL 88,477 million as of

December 31, 2010). For more information on deposits with the Group, see “Selected Statistical and Other Information – Deposits.”

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

The remaining sources of funds for the Group are funds borrowed, repos and money market funds, which accounted for 24.5%, 22.1% and 24.6% of the Group’s total liabilities as of December 31, 2011, December 31, 2012 and September 30, 2013, respectively. Funds borrowed are mainly composed of borrowings from foreign banks and institutions, subordinated loans and marketable securities issued by the Group consisting of TL- and foreign-currency denominated bills and bonds. Funds borrowed represented 14.9%, 13.6%, 12.3% and 9.7% of the Group’s total liabilities as of September 30, 2013 and December 31, 2012, 2011 and 2010, respectively. As of September 30, 2013, the amount of the Group’s total foreign currency-denominated borrowings was equivalent to 4.1% of the amount of its consolidated assets.

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

	As of September 30, 2013	
	TL	Foreign Currencies
	(TL thousands)	
Funds borrowed from domestic banks and institutions.....	1,452,836	589,842
Funds borrowed from foreign banks, institutions and funds.....	1,404,502	22,258,452
Marketable securities issued	5,349,955	3,725,289
Total	8,207,293	26,573,583

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

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

	As of September 30, 2013	
	TL	Foreign Currencies
	(TL thousands)	
Short-term.....	6,570,570	7,607,519
Medium and Long-term.....	1,636,723	18,966,064
Total.....	8,207,293	26,573,583

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

Borrowings from foreign banks and institutions include syndicated loans, “diversified payment rights” (DPR) and credit card future flow transactions, eurobonds and other fund-raising. Details of the Bank’s syndicated loans, future flow transactions and eurobonds as of September 30, 2013 are as follows:

Outstanding Principal	Final Maturity	Interest rate %
\$20 million DPR issuance	November 2014	Libor + 1.83%
\$23.9 million credit card issuance	January 2014	Libor + 1.00%
\$16.7 million credit card issuance	January 2014	Libor + 0.25%
\$19.5 million DPR issuance	May 2014	Libor + 0.93%
\$17.5 million DPR issuance	May 2014	Libor + 0.23%
\$27 million DPR issuance	May 2014	Libor + 0.16%
\$60 million DPR issuance	February 2015	Libor + 0.82%
\$10 million DPR issuance	February 2014	Libor + 0.86%
\$75 million DPR issuance	November 2016	Varies
€40 million DPR issuance	November 2016	Varies
€60 million DPR issuance	November 2018	Varies
€60 million DPR issuance	November 2016	Varies
€50 million DPR issuance	August 2024	Varies
€75 million DPR issuance	August 2024	Varies
\$175 million DPR issuance	August 2017	Varies
\$50 million DPR issuance	August 2017	Varies
\$441 million syndicated loan	May 2014	Libor + 0.5%
€631 million syndicated loan	May 2014	Euribor + 0.5%
\$391.0 million syndicated loan	September 2014	Libor + 0.3%
€651.5 million syndicated loan	September 2014	Euribor + 0.3%
\$500 million eurobond	February 2016	5.10%
\$1,000 million subordinated eurobond	October 2022	6.00%
\$500 million eurobond	November 2017	3.875%
\$750 million eurobond	October 2018	3.750%

Since the establishment of the Bank’s MTN program on July 19, 2013, the Bank has issued certain small series of notes under its MTN program and a \$500 million 5.5 year series with a coupon of 5.5% *per annum* issued on October 21, 2013. The Bank may issue, from time to time, additional series of notes under the program, which (as permitted by the Program) may be in any currency, with any tenor and with any interest rate, which issuances may be listed or unlisted.

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

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

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

Contingencies and Commitments

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

As of September 30, 2013, the Group had issued letters of credit amounting to TL 5,361 million, guarantees amounting to TL 28,679 million, acceptance credits amounting to TL 2,314 million and other guarantees and endorsements amounting to TL 714 million.

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

	As of December 31,			As of
	2010	2011	2012	September 30, 2013
	(TL thousands)			
Letters of guarantee.....	12,464,904	19,924,273	22,947,461	28,679,160
Acceptance credits	211,538	876,324	1,298,250	2,314,307
Letters of credit	3,380,888	5,761,529	5,220,486	5,360,743
Other guarantees ⁽¹⁾	372,685	714,960	631,010	714,000
Total	16,430,015	27,277,086	30,097,207	37,068,210

(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 September 30, 2013					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	(TL thousands)					
Forward foreign exchange contracts	5,177,918	4,041,098	9,219,016	1,447,959	7,801,358	9,249,317
Currency swaps.....	6,753,179	11,367,799	18,120,978	5,167,535	12,200,660	17,368,195
Interest rate swaps.....	2,070,000	10,351,101	12,421,101	2,070,000	10,351,101	12,421,101
Currency options.....	2,098,168	3,846,439	5,944,607	1,804,307	4,144,646	5,948,953
Interest rate options.....	60,000	1,124,765	1,184,765	60,000	1,124,765	1,184,765
Marketable security and index options	4,609	—	4,609	4,574	—	4,574
Currency futures	1,461	26,499	27,960	28,058	1,409	29,467
Interest rate futures	—	—	—	—	—	—

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

As of December 31, 2011

	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<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

Property, Plant and Equipment

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

	As of December 31,			As of
	2010	2011	2012	September 30, 2013
	<i>(TL thousands)</i>			
Buildings.....	3,594,986	3,640,226	3,582,160	3,544,943
Land improvements	121,921	132,826	140,511	157,352
Construction in progress	11,566	8,769	68,553	103,644
Vehicles	20,018	21,611	19,737	19,431
Other ⁽¹⁾	1,259,693	1,543,262	1,637,831	1,794,843
Depreciation	(3,008,551)	(3,179,842)	(3,309,008)	(3,433,807)
Net book value.....	1,999,633	2,166,852	2,139,784	2,186,406

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

SELECTED STATISTICAL AND OTHER INFORMATION

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

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

A. Average Balance Sheet and Interest Data

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

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

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

(2) Since the remuneration of required reserves has been ended in 2010, reserves held at the Central Bank were classified as non-interest earning assets and excluded from interest income.

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

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

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

B. Net Interest Income Data

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

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

(1) Bank-only net interest income divided by bank-only average interest-earning assets. Reserves held at the Central Bank have been excluded from interest-earning assets. Net interest income does not include interest income from the Central Bank.

(2) Spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities.

(3) Average balances are calculated from daily balances and do not include interest accruals. Central Bank balances are excluded from interest-earning assets. Demand deposit accounts are not included in interest-bearing liabilities.

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

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

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

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

D. Certain Group Information

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

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

(1) Excluding minority shares.

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

II. Investment Portfolio

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

As of December 31, 2012, the size of the Group's aggregate securities portfolio decreased by 8.1% to TL 44,783 million from TL 48,721 million as of December 31, 2011, which in turn decreased by 6.0% from TL 51,814 million as of

December 31, 2010. In 2011 and 2012, the Bank continued to change the composition of the asset side of the balance sheet in favor of the loan portfolio in order to meet the increasing demand for loans arising from the solid growth in GDP.

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

A. Book Value of Investments

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

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

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

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

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

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

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

Investment Portfolio

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

As of December 31, 2012, the size of the Group's investment portfolio decreased by 8.6% to TL 43.2 billion from TL 47.3 billion as of December 31, 2011, which itself was a decrease of 5.9% from TL 50.3 billion as of December 31, 2010.

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

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

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

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

(2) Includes private sector debt securities and mutual funds.

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

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

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

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

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

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

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

Trading Portfolio

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

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

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

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

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

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

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

B. Maturities of Investments

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

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

C. Investment Concentrations

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

D. Equity Participations and Investments in Associates

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

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

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

III. Loan Portfolio

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

As of December 31, 2012, the Group's net cash total loans and advances to customers, less allowance for possible losses, amounted to TL 115.2 billion, which represented 57.3% of the Group's total assets, compared to TL 99.0 billion (53.8% of the Group's total assets) as of December 31, 2011 and TL 69.1 billion (45.8% of the Group's total assets) as of December 31, 2010. The Group's portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 16.3% as of December 31, 2012 compared to year-end 2011 after having increased by 43.4% in 2011. The contribution of foreign currency denominated loans to the increase in 2011 was much higher than that of Turkish Lira-denominated loans, whereas the contribution of Turkish Lira-denominated loans was more responsible for the increase in 2012 - foreign currency-denominated loans grew by 62.2% and 8.9% in 2011 and 2012, respectively, whereas Turkish Lira-denominated loans grew by 33.4% and 20.3% in 2011 and 2012, respectively. Appreciation in the value of foreign exchange also contributed to foreign currency-denominated loan growth in 2011. In 2012, when the impact of the appreciation in foreign exchange is excluded, the increase in foreign currency-denominated loans diminishes to 32.9% (in 2011, when the impact of the depreciation in foreign exchange is excluded, the increase in foreign currency-denominated loans climbs to 14.7%).

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

A. Types of Loans

In the medium term the Bank plans to focus on retail and continue to grow in commercial, corporate and private business lines. While improving profitability, asset quality, cost efficiency and capital utilization, the Bank will seek to ensure that its market shares will be maintained at levels in accordance with the targeted levels; see “Business of the Group – Strategy.”

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

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

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

As of December 31, 2012, the Bank’s loan portfolio comprised 43.3% corporate (as defined by the Corporate Definition), 28.1% SME (as defined by the BRSA SME Definition), 21.0% consumer and 7.6% credit card loans. According to the earlier BRSA definition that was applicable before November 4, 2012, as of December 31, 2012, the Bank’s loan portfolio would have comprised 49.5% corporate, 22.3% SME, 20.6% consumer and 7.6% credit card loans.

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

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

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

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

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

Lower inflation and reduced fluctuation in interest rates, together with a gradual decline in interest rates, led to greater confidence in the banking system and an increase in Turkish Lira-denominated loans in 2012. Retail loans, which are

a growing portion of the Group's total loans, are essentially exclusively denominated in Turkish Lira; *however*, investment loans, which are longer term loans, are frequently denominated in foreign currencies.

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

The Group provides financing for various purposes, although the majority of loans are retail loans and loans for working capital purposes. On a Bank-only basis, the average maturity for Turkish Lira-denominated retail loans was 46 months as of December 31, 2012; *however*, as demand for longer-term financing from existing customers and other high-quality corporate credits increases, the Bank's management expects that the maturity profile of the Group's loan portfolio will also increase. As of December 31, 2012, the Group's loans with remaining maturities over one year but through five years and over five years composed 37.6% and 9.0%, respectively, of the Group's total loans and advances to customers.

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

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

(1) Includes factoring receivables.

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

(1) Includes acceptance credits and export commitments.

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

C. Risk Elements

If the collectability of any loan or receivable is identified as limited or doubtful by the Group's management, then the Group provides general and specific provisions in accordance with the applicable law. Turkish regulations also require Turkish banks to provide: (a) a general loan loss reserve calculated at 1% of their total standard cash loan portfolio (except for export loans and SME loans, for which the general loan loss reserve is calculated at 0% and 0.5%, respectively) *plus* 2% of their watch-list cash loan portfolio and comprising any loan that is considered to be a cash loan pursuant to the applicable banking law provisions and (b) a general reserve calculated at 0.2% of their total standard non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit, undertakings and endorsements) (except for export loans and SME loans, for which the general loan loss reserve is calculated at 0% and 0.1%, respectively) *plus* 0.4% of their watch-list non-cash loan portfolio. Furthermore, regulations also require banks to provide general reserves: (i) for loans whose loan conditions will be amended in order to extend the first payment schedule, 5% of their standard cash loan portfolio (except 0% for export loans and 2.5% for SME loans) and their watch-list cash loan portfolio, (ii) 4% for standard and 8% for watch list consumer loans (other than housing loans), all applicable to banks whose ratio of consumer loans to total loans is above 25% or those having a ratio of non-performing debts to the related total loans above 8% in relation to consumer loans (other than housing loans) and (iii) 10% for standard and watch list consumer loans (other than housing loans) whose loan conditions will be amended

in order to extend the first payment schedule, all applicable to banks whose ratio of consumer loans to total loans is above 25% or those having a ratio of non-performing debts to the related total loans above 8% in relation to consumer loans (other than housing loans). The amount of the specific provision required for non-performing loans depends in part upon the type of collateral, but at a minimum 20% of the principal amount of a loan is required to be reserved for loans between three and six months overdue, 50% for loans between six and 12 months overdue and 100% after one year.

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

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

1. Nonaccrual, Past Due and Restructured Loans

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

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

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

2. Potential Problem Loans

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

3. Loan Concentrations

As of September 30, 2013, 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 September 30, 2013, the gross cash loans to the Bank's ten largest group customers represented approximately 11.8% of its gross loan portfolio, compared to 14.1% as of December 31, 2012, 16.6% as of December 31, 2011 and 18.0% as of December 31, 2010. In recent years, as a result of improvements in the Turkish economy, the percentage of smaller loans in the loan portfolio has been on an increasing trend.

D. Other Interest-Earning Assets

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

IV. Summary of Loan Loss Experience

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

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

The Group classifies its loan portfolio in accordance with current Turkish banking regulations in its BRSA Financial Statements. See "Turkish Regulatory Environment." In 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 September 30, 2013, the Turkish banking regulations required Turkish banks to provide a general reserve, excluding loans in arrears, calculated as 1.0% of the portfolio of loans of a standard nature *plus* 0.2% of the performing non-cash loans portfolio *plus* 2.0% of the portfolio of cash loans performing but under close monitoring *plus* 0.4% of the portfolio of non-cash loans under close monitoring.

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

NPL Loan Portfolio by Loan Type

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

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

(1) As defined by the Corporate Definition.

(2) As defined by the BRSA SME Definition.

(3) Retail portion only.

Analysis of the Allowance for Loan Losses

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

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

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

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

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

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

V. Deposits

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

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

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

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

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

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

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

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

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

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

(1) Excluding bank deposits

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

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

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

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

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

⁽¹⁾ Includes demand deposits.

VI. Return on Equity and Assets

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

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

(1) Calculated on quarterly averages.

(2) Excluding minority interest.

(3) Net income for the period as a percentage of average total assets.

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

VII. Short-Term Borrowings

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

BUSINESS OF THE GROUP

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

As of September 30, 2013, the Bank was the largest bank in Turkey in terms of total assets, total loans, Turkish Lira-denominated loans, foreign currency-denominated loans, foreign currency-denominated deposits and total shareholders' equity and had the largest market shares of total deposits, Turkish Lira-denominated deposits, demand deposits, number of debit cards and volume of debit cards transactions among private sector banks (sources: BRSA and Interbank Card Center). 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 September 30, 2013, the Group had total assets of TL 233,510 million, an increase of 16.1% from TL 201,075 million as of December 31, 2012, itself an increase of 9.3% from TL 183,936 million as of December 31, 2011, which was a 22.0% increase from TL 150,811 million as of December 31, 2010. As of September 30, 2013, the Group had total deposits of TL 120,692 million, an increase of 13.8% from TL 106,011 million as of December 31, 2012, itself an increase of 7.3% from TL 98,832 million as of December 31, 2011, which was an 11.7% increase from TL 88,477 million as of December 31, 2010.

As of September 30, 2013, the Group had total shareholders' equity of TL 25,437 million, an increase of 2.3% from TL 24,859 million as of December 31, 2012, itself an increase of 22.4% from TL 20,311 million as of December 31, 2011, which increased 7.0% from TL 18,987 million as of December 31, 2010.

For the nine months ended September 30, 2013, the Group's net profit was TL 2,818 million, an increase of 6.2% from TL 2,654 million for the nine months ended September 30, 2012. In 2012, the Group's net profit was TL 3,715 million, an increase of 55.5% compared to 2,389 million for 2011, a decrease of 26.1% from TL 3,232 million in 2010.

For the nine months ended September 30, 2013, the Group's net interest income was TL 5,852 million, an increase of 19.3% from TL 4,903 million for the nine months ended September 30, 2012. In 2012, the Group's net interest income was TL 6,842 million an increase of 26.3% compared to TL 5,417 million for 2011, an increase of 0.1% from TL 5,411 million in 2010.

As of the date of this Offering Circular, the Bank's shares are quoted on the Borsa İstanbul (which replaced the former İstanbul Stock Exchange and Gold Exchange) operating as the stock exchange as well as the gold exchange in Turkey (the "*Borsa İstanbul*") and also are traded by qualified institutional buyers on over the counter markets in the form of American Depositary Receipts and at the London Stock Exchange in the form of Global Depositary Receipts. As of September 30, 2013, 40.16% of the Bank's shares were held by the Bank's own employee pension fund and 28.09% (Atatürk's shares) were owned by the Republican People's Party (the "CHP"). The remaining 31.75% was traded publicly on the Borsa İstanbul and the London Stock Exchange.

As of September 30, 2013, the Bank had the largest network of branches among private sector banks in Turkey, with 1,276 domestic branches covering every city (source: Banks Association of Turkey). The Bank also has an international presence through its own London, Arbil (Iraq), Bahrain, Batumi (Georgia) and Pristina (Kosovo) branches; through İşbank AG, a wholly-owned subsidiary with 13 branches in Germany and one branch in each of The Netherlands, France, Switzerland and Bulgaria; and through Moscow based CJSC İşbank, a wholly-owned subsidiary with 12 branches in Russia. Besides these, as of such date the Bank had 15 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 September 30, 2013, the Bank had a direct equity interest in 25 companies, five of which are classified under available-for-

sale securities. These companies are active in a wide range of sectors including finance, glass, telecommunications and other industrial and service sectors.

Key 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 September 30, 2013, the Bank was the largest bank in Turkey in terms of its balance sheet and, among private sector banks in Turkey, the largest in terms of its branch network (source: Banks Association of Turkey) 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 7,296 billion under management (source: Rasyonet). As of September 30, 2013, the Bank supported its market-leading position by having the largest nationwide branch and ATM network among private sector banks in Turkey, with 1,276 domestic branches, 20 international branches and 5,521 domestic ATMs (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. The Bank opened 47 domestic branches in 2012 and 46 domestic branches during the first nine months of 2013, and the Bank is currently planning on opening additional domestic branches during 2013 and 2014.

The Bank's management believes that the Group's market leadership position and broad distribution network has supported its strong growth across both its asset and liability portfolios and enabled it to benefit significantly from economies of scale, capitalizing on the overall strong growth in the Turkish economy despite difficult economic conditions since 2009 due to the global financial crisis. The Bank's loan portfolio grew from TL 64,232 million as of December 31, 2010 to TL 91,621 million as of December 31, 2011, TL 106,716 million as of December 31, 2012 and TL 131,813 million as of September 30, 2013, a compound annual growth rate of 29.9% as compared to the Turkish banking sector's total loan portfolio compound annual growth rate during that period of 25.5% (source: BRSA). The Bank's total deposits grew from TL 88,260 million as of December 31, 2010 to TL 98,313 million as of December 31, 2011, TL 105,383 million as of December 31, 2012 and TL 119,575 million as of September 30, 2013, resulting in a compound annual growth rate of 11.7% while the growth in the Turkish banking sector for the same period was 14.9% (source: BRSA).

Strong Liquidity and Capital Structure with Conservative Funding Policy

The Group has a strong capital structure, with shareholders' equity of TL 25,437 million and a capital adequacy ratio of 14.56% as of September 30, 2013 (under BRSA) (12.33% calculated using Tier 1 capital only). 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 26.4% and Cash Loan-to-Deposit ratio of 117.0% as of September 30, 2013 (108.2% as of December 31, 2012). Although a large portion of the Bank's deposits are, similar to the Turkish banking sector, short-term (with durations of less than 90 days), the majority of the Bank's deposits have historically been reinvested (with accounts having on average been open for 8.9 years as of September 30, 2013).

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 occurred during the recent 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 that the Group has benefitted from a "flight to quality" during difficult market conditions, with deposits having increased by 67.5% from TL 72 billion as of December 31, 2009 to TL 121 billion as of September 30, 2013. 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, TL 175,444 million as of December 31, 2012 and TL 204,159 million as of September 30, 2013, resulting in a compound annual growth rate of 14.4%. The Bank's return on average assets of its banking business* was 2.2% in 2010, 1.5% in 2011, 1.8% in 2012 and 1.5% in the nine months

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

ended September 30, 2013 and the return on average equity of its banking business^{**} was 28.6%, 20.3%, 22.9% and 18.7% 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 since 1924, 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 at the initiative of Mustafa Kemal Atatürk as the first national bank of the Republic of Turkey. The strength of the Bank's brand, together with its branch network and customer base, has enabled the Group to become a Turkish market leader as well as a trusted banking partner for customers. As of September 30, 2013, 93.6% 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 had approximately 13.6 million retail customers, nearly 6,500 corporate customers and almost 1.1 million commercial customers as of September 30, 2013. The Bank had the largest deposit base among private sector banks with TL 119,575 million in deposits as of September 30, 2013 (Source: BRSA). The Bank's broad network of branches and alternative distribution channels provides the Group with presence, access and crucial local knowledge of retail and corporate/commercial customers in every city in Turkey. Unlike most of its competitors, in addition to the branches in large cities, 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 sector banks according to the Banks Association of Turkey. The Group's relationships with its customers have also typically been long-standing; for example, as of September 30, 2013, the Bank's customers have held deposit accounts with the Bank for an average of 8.9 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 specialized corporate branches (9 as of September 30, 2013), one specialized branch for multinationals operating in Turkey and specialized commercial branches 42 as of September 30, 2013). The Bank has developed numerous targeted products and services, ranging from tailor-made solutions for large corporations to sector-specific service packages, such as for export support, the plastics industry, logistics, machinery, automotive by-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.

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

Diversified Loan Portfolio

By focusing on building a diversified portfolio of loans by types of loans, industry sector and borrower concentration, the Group has historically generated strong returns. The Bank increased its loan portfolio from December 31, 2009 to September 30, 2013, at a compound annual growth rate of 30.7%. 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 September 30, 2013, 45.3% of the Bank's total loan portfolio was comprised of loans to corporate (as defined by the Corporate Definition) customers, with 26.9%, 7.5% and 20.3% 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 50.8%, 43.3% and 4.8% of total consumer loans, respectively, as of September 30, 2013. The Bank's loan portfolio is also diversified among sectors, with the largest share (in energy) representing no more than 13.7% of the Bank's loan portfolio as of September 30, 2013. In addition, the Bank has sought to limit exposure to any single borrower and no exposure to a single borrower was greater than 1.4% of its loan portfolio as of such date. The share of the Bank's receivables from the top 100 cash loan customers in the overall cash loan portfolio was 21.2% as of September 30, 2013. Moreover, as of September 30, 2013, 50.8% of the Bank's loan portfolio had a term of less than six months until the next re-pricing. The Bank's commercial loan contracts generally contain clauses permitting the Bank to make adjustments in the applicable interest rates from time to time, subject to the applicable laws and regulations, thereby further limiting interest rate risk.

Prudent Risk Management

Complementing the Bank's diversified loan portfolio, the Bank's management believes it has instilled a prudent and effective risk management culture at all levels of the Group, beginning with careful customer selection to support a quality asset base. The Bank monitors credit quality on an ongoing basis. As the global financial crisis impacted Turkey and the Group's customers, the Group introduced new risk management tools starting from 2008 such as "application scoring models" for retail and SME portfolios and "behavioral scoring models" for corporate, SME and retail portfolios. The Bank also introduced new risk management tools such as applying credit limits to certain industry sectors that have been highly affected by global turmoil, researching potential customers' relationships and credit histories with other banks and becoming more selective in extending new credit lines. During 2012, the Bank grew its loan portfolio by 16.5% (increasing a further 23.5% in the first three quarters of 2013) and maintained NPL ratios of 1.8%, 1.9%, 2.1% and 3.6% as of September 30, 2013 and December 31, 2012, 2011 and 2010, respectively, in line with the Turkish banking sector's NPL ratios of 2.7%, 2.9%, 2.7% and 3.7% (source: BRSA).

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

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

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

Maintain High Standards of Corporate Governance and Business Ethics

The Bank's management believes that the Group's internal corporate governance structure reflects the best market practices of the Turkish and international banking sectors. The Group established these corporate governance practices to improve management's efficiency and to further protect the interests of the Group's stakeholders, including its customers and

shareholders. The Bank prepares a “Corporate Governance Principles Compliance Report” each year, which is a report by the Bank’s Board of Directors about the compliance of the Bank’s corporate governance practices to the corporate governance principles of the CMB.

Strong Record of Innovation

The Bank’s management believes that the Group is an innovator and market leader in the Turkish banking sector, having distinguished itself through a number of innovations in Turkey, including initiating the practice of providing checking services, launching Turkey’s first interactive telephone and internet banking service and establishing the first mutual funds in Turkey, including the first mutual fund with a focus on environmental and social responsibility. The Bank was the first bank in Turkey to establish overseas branches when it opened its branches in Hamburg, Germany and Alexandria, Egypt in 1932. The Bank also introduced electronic banking to Turkey with its brand name, “Bankamatik” ATMs. These ATMs became so popular that ATMs are now generally referred to as “Bankamatiks” even if they are not the Bank’s ATMs. In July 2010, the Bank integrated a biometric device to its ATMs and commenced a new system called as “Biyokimlik” (Bio-ID) that allows customers to access their accounts by using just their PIN number or card their finger vein-ID, which is a form of secure biometric data. In addition, in November 2012, the Bank integrated its mobile banking platform with its ATMs, enabling customers to withdraw cash through İşCep by scanning a code on an ATM’s screen. Moreover, the Bank was the first bank in Turkey to start mobile banking by using WAP, followed in 2007 by the Bank’s introduction of “İşCep,” which it believes was the first java-based mobile application in Turkey. As of the date hereof, İşCep supports numerous operating systems, including iOS, Android, Samsung, Bada, Windows Phone 7, Symbian and Blackberry 10 and works on more than 1,600 telephone models. In 2010, the Bank introduced a new banking application for tablet devices named “İşPad,” which was originally designed to work on iPad units and is also compatible with tablets running the Android, Blackberry, Playbook and Mac operating systems. A recent innovation of the Bank is “İşCep Parakod,” which is a code technology on İşCep used as a payment system that enables customers to make payment with their mobile phones without using their credit cards.

For additional information on the Group’s technological innovations, see “Channel Management” and “Information Technology.”

Strategy

The Bank’s strategic vision is to become the preferred bank for its customers, shareholders and employees by maintaining its position as a pioneering and trusted regional financial leader. The main objective is to consistently increase the value that it creates for its shareholders by being a bank that responds to its customers’ needs quickly, effectively and with quality solutions and encourages its employees to achieve high levels of performance in their jobs. The Bank plans to reach these targets by maintaining market shares in the primary banking services and leveraging new growth opportunities with a cost effectiveness perspective, continuously improving its asset quality, focusing on sustainable non-interest income generation and price optimization for all financial products and services, while operating within a risk-based capital management framework. The key elements of the Group’s strategy to achieve these goals are set out below.

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

The Group is continuing to focus on leveraging its existing market leadership position and strong national brand by growing its branch network, alternative distribution channels and product and service offerings to capitalize on the expected growth and development of Turkey’s economy and resulting growth in demand for banking services. The Bank opened 63 new branches across Turkey in 2011 (six branches were consolidated with other branches in 2011), 47 in 2012 (no branches were consolidated with other branches in 2012) and 46 in the first three quarters of 2013 (one branch was consolidated with other branches in 2013), and is continuing to seek opportunities to deploy new branches and ATMs. To date, Turkey has been significantly under-banked compared to the EU, with a total loans-to-GDP ratio in 2012 of 56% compared to the EU-27 average of 188%, total assets-to-GDP ratio of 97% compared to the EU-27 average of 352% and 15 branches per 100,000 persons compared to the EU-27 average of 44 (source: Eurostat, European Banking Federation, TurkStat, BRSA). 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” is an innovative application that is available to all of the Bank’s customers who have both credit card and investment accounts with the Bank – with “ÜstüKalsın,” the balance due shown in the account statement is rounded up according to the customer’s instructions and the difference between the two amounts is added to their investment account. The advantage of “ÜstüKalsın” is that it encourages customers to save without changing their spending habits. In its SME business, the Bank offers over 100 products, including a specialized website (İŞ’TE KOBİ) that includes current news, articles and industry-specific and economic reports for SMEs and the SUNUMATİK application that allows non-English speaking users to produce professional presentations.

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 by utilizing the Bank’s experienced, dedicated and highly trained employees, extensive distribution network and wide range of products and services to improve customer satisfaction by maximizing its presence, accessibility and innovation. The Bank launched its “Customer-Centric Transformation Program” (“CCT”) in 2006 to target specific improvements in its customer service regime, operational efficiency and commercial productivity. Since 2011, the Bank has achieved all of its 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 (such as 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 and ATMs) 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 September 30, 2013, approximately 8.2 million customers were actively using the Bank’s alternative delivery channels, accounting for approximately 80% of the Bank’s total consumer banking transactions during the nine months ended September 30, 2013.

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 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 the Turkish market. Having (as of September 30, 2013) the largest domestic distribution network among private sector 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 to become 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, as well as to increase the revenues generated by its existing overseas network. The Bank has various ongoing overseas expansion activities, including (as of September 30, 2013) being in the process of opening branches in Baghdad and Duhok (Iraq) and Tbilisi (Georgia).

History and Development

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

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

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

Business Activities

The Bank provides a full range of banking services, including in the following five sectors:

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

commercial auto loans, tractor and agricultural equipment loans, small business export and investment loans, letters of credit, letters of guarantee, point-of-sales agreements, automatic payment instructions, tax collection, internet banking, foreign trade operations, sector-specific packages, cash management and payment system facilities,

- *retail banking activities:* deposit accounts, credit cards, debit cards, prepaid cards, housing loans, general purpose loans, auto loans, overdraft accounts, merchant agreements, payroll accounts, automatic payment instructions, social security premium collection, tax collection, tuition fee collection, investment products, insurance products and HGS-OGS (Turkey's highway toll collection system),
- *private banking activities:* in addition to retail banking products and services, Privia-branded products (including credit cards, personal loans, mutual funds and pension plans) and structured products, each tailored to the needs of specific private banking customers, and
- *capital market operations activities:* investment account system, mutual funds, equity brokerage, odd-lot transactions, fixed income business (bond trading), gold trading, futures and options brokerage, repo and custody services.

The Bank presents its group structure under three principal business lines: Banking Services, Financial Participations and Non-Financial Participations. These business lines are further divided into various sub-business lines based upon business activities as indicated in the table below. The business activities presented under Financial Participations and Non-Financial Participations are executed by separate legal entities referred to as "participations," in which the Bank (directly or indirectly) holds shares. For a list of the Group's shareholdings in these participations, see "Business of the Group – Subsidiaries and Affiliates – Financial Participations" and "Non-Financial Participations." While the Bank (directly or indirectly) holds a controlling interest in each of these participations and appoints some of their board members, in practice the participations operate with a certain level of autonomy on a day-to-day basis.

For accounting purposes, the Bank reports its business in its BRSA consolidated financial statements under six segments: Corporate, Commercial, Retail, Private, Treasury/Investment and Unallocated. The first five of these segments largely correspond to the five 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 "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 "Subsidiaries and Affiliates – Non-Financial Participations."

As of the date hereof, the Bank's business units are as follows:

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

Banking Units

Corporate Banking

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

As of September 30, 2013, the Corporate Banking business unit accounted for TL 52.2 billion (36.8% of the Group's total loans) and TL 18.6 billion (15.4% of the Group's total deposits). As of September 30, 2013, the Corporate Banking business unit operated through 10 specialized branches, four corporate branches and one "multinationals' branch" in İstanbul and one corporate branch in each of Kocaeli, Ankara, İzmir, Antalya and Bursa. By establishing these corporate branches, the Bank aims to increase its market share of credit, investment and foreign trade transactions among customers with high creditworthiness, to reach new customers and to benefit from cross-selling opportunities.

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

The Bank (as of the date hereof) 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 it meets the sales and credit limit requirements of the corporate segment. As of September 30, 2013, the Bank had approximately 6,500 corporate customers.

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

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

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

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

The Bank selectively extends financing for high-volume private sector investments, privatizations and merger and acquisition projects, while remaining committed to its risk-sensitive approach.

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 Hydro Power Deal of the Year" in 2010 for the Boyabat Hydroelectric Power Plant Project, "European Utilities Deal of the Year" in 2010 for the privatization of UEDAŞ and ÇEDAŞ electric distribution companies, "European Transport Privatization Deal of the Year" in 2011 for the privatization of İstanbul Ferries (İstanbul Deniz Otobüsleri – İDO), "European Power Deal of the Year" and Project Finance International's "Turkish Deal of the Year" in 2011 for the Gebze Combined Cycle Gas Tribune Plant and "Turkish Infra Deal of the Year" in 2012 for operation and transfer of the Istanbul strait road tube crossing project (the Eurasia Tunnel Project).

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

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

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

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

- *Direct Debiting.* The direct debit system is an electronic debt collection system that permits customers to collect receivables from third parties and transfers collected amounts to the relevant customer account through the settlement service provided by the Bank. Direct debiting also provides payment guarantees for suppliers' sales to dealers.
- *Dealership Card.* The Dealership Card is an alternative to traditional payment systems, such as checks and promissory notes, that the Bank provides to its commercial customers. This product provides payment guarantees for suppliers in relation to their installment sales, as well as offering the convenience of a credit card. The Dealership Card differs from a regular credit card, however, in that it does not generate financing cost for the Bank.
- *Other Electronic Systems.* The "Electronic Collection of Checks and Notes System" is designed to enhance the processing of large numbers of checks and notes delivered to the Bank's branches for collection or as collateral. The "Automatic Money Transfer System" provides for automatic money transfers where transfer information is received in electronic format, while the "Electronic Account Statement System" allows companies to access detailed statements of their accounts electronically, relieving an administrative burden on the Bank's branches.

Commercial Banking

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

The Bank (as of the date hereof) 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 September 30, 2013, the Bank had nearly 1.1 million commercial banking customers.

As of September 30, 2013, the Commercial Banking business unit accounted for TL 52.9 billion (or 37.3%) of the Group's total loans and TL 24.1 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 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 25.8% as of September 30, 2013 (source: BRSA). In order to provide its customers with more differentiated and focused service, the Bank set up a "Sector-Specific Banking/Agriculture and Tourism Unit" within the Commercial Banking business unit. The Bank supports the agricultural sector through specially designed credit products such as tractor and agricultural equipment loans and business cards such as "İşbank Agricultural Procedure Card" and "İmece Card-." In addition, the Bank offers cash management and payment system products to its commercial banking customers.

In 2008, the Bank introduced a network of commercial branches with a view to offering high quality service to commercial customers of a certain size that are also in good standing with the Bank. As of September 30, 2013, 42 of these specialized commercial branches were in operation. For further information as to how the Bank's branches are categorized, see "Channel Management."

The Bank has agreements with various chambers of commerce and industry and associations and unions under which it offers credit and cash management products to member companies.

The Bank has signed 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 September 30, 2013, the Bank had approximately 13.6 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 September 30, 2013, the Retail Banking business unit accounted for TL 32.1 billion (or 22.7%) of the Group's total loans and TL 45.2 billion (or 37.5%) 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 uses a value-based segmentation model to categorize its retail banking customer base as "mass-," "mass affluent" and "affluent-." A client's assets under management, monthly income and average credit balance are among the principal criteria the Bank uses as part of its segmentation model. In addition to this value-based segmentation, retail

banking customers are also categorized based upon their financial needs and behaviors so that customer-driven initiatives can be designed accordingly.

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

The products and services that the Bank offers to its retail banking customers include auto loans, housing loans, general purpose cash loans, deposit and overdraft accounts, checks, investment accounts, payment and collection services, individual cash management services, OGS-HGS highway toll payment products, smart cards, insurance products, private pensions, 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 24,700 employers providing for the direct deposit of paychecks to approximately 1.19 million employee accounts maintained with the Bank, as of September 30, 2013. The Bank’s 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 exceeded six million during the first nine months of 2013. 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 September 30, 2013, the value of funds held in the Bank’s retail overdraft accounts was TL 311 million.

Consumer Lending. As of September 30, 2013, the Group’s total consumer loans (excluding overdrafts), which are composed of general purpose loans, auto loans and housing loans, amounted to TL 26,635 million. General purpose loans amounted to TL 13,784 million (51.8%), auto loans amounted to TL 1,280 million (4.8%) and housing loans amounted to TL 11,571 million (43.4%).

As of September 30, 2013, according to BRSA data, on a bank-only basis, the Bank’s market share of the consumer loan market was 11.7%, with a market share of 11.9% related to housing loans, 16.4% related to auto loans and 11.3% 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 50%

more than the aggregate scheduled installments. Housing loans generally have a tenor of no longer than 120 months and are denominated in Turkish Lira with a fixed rate of interest.

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

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

Deposits. Deposits (both from retail and other customers) are the Group's main source of funding and reached TL 120,692 million as of September 30, 2013. Deposits accounted for approximately 52% of the Group's total liabilities as of September 30, 2013. As of September 30, 2013, Turkish Lira-denominated deposits accounted for approximately 58% of the Group's total deposits, while foreign currency-denominated deposits accounted for the remainder.

The Bank has the largest market share of deposits among private sector banks in Turkey on a bank-only basis, with 13.4% of total deposits as of September 30, 2013 according to the BRSA. The Bank's management believes that this indicates the Bank's customers' trust in the Bank and also 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. The Bank also recently commenced offering its "Automatic Deposit Order" service to facilitate customers' propensity to save, which service permits customers to set up automatic periodic transfers from their current accounts to interest-earning term deposit accounts.

As of September 30, 2013, the Bank had the largest market share among private sector banks in Turkey in terms of total deposits, Turkish Lira deposits, foreign exchange deposits, demand deposits (excluding deposits from banks) and Turkish Lira savings deposits with market shares of 13.4%, 12.6%, 14.6%, 15.0% and 14.1%, respectively, on a bank-only basis.

As of September 30, 2013, the total value of the Group's deposits reached TL 120,692 million, with demand deposits accounting for 20.4% and all other deposits accounting for the remaining amounts. In terms of Turkish Lira-denominated saving deposit accounts, the Bank's market share was 14.1% as of September 30, 2013 on a bank-only basis according to the BRSA. In terms of total demand deposits, the Bank's market share was 15.0% as of September 30, 2013, 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 September 30, 2013, the Bank had the largest market share in terms of

numbers of debit cards among private sector banks in Turkey and ranked among the top three credit card issuers in Turkey in terms of number of credit cards according to Interbank Card Center (both on a bank-only basis).

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

As of September 30, 2013, the Bank had more than 6.1 million credit cards in issue to its own customers, representing approximately 13.2% of the total Turkish credit card market by total issuance volume and approximately 10.8% by number of cards outstanding; 9.6 million debit cards, representing approximately 9.8% of the Turkish debit card market; and over 273,000 point-of-sale terminals (sole ownership belongs to the Bank), representing approximately 11.9% of the total Turkish market, each according to the Interbank Card Center. As of September 30, 2013, the Bank, with a 13.0% market share of the Turkish credit card market in terms of transaction volume (excluding cash withdrawal volume) on a bank-only basis, managed two different credit card brands, “Maximum Card” and “Maximiles,” and was the fourth largest participant in the market in terms of transaction volume (excluding cash withdrawal 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 September 30, 2013, the Bank provided eight types of MaxiPara Cards from branches: MaxiPara Card Ekonomik (for a consumer’s own use), MaxiPara Youth-18 (for customers 12-18 years old), Maxi Para Youth+18 (for customers 18 years old and above), MaxiPara Gift Card, MaxiPara Personalized Card (for corporate use), MaxiPara Unpersonalized Card (for corporate use), MaxiPara Goldcard (for depositing gold) and MaxiPara Cinema card (for a consumer’s own use). Also, the Bank can design different types of MaxiPara cards for firms according to their needs.

The Maximum Card and Maximum loyalty program award customers with installment advantages and reward points, which can be redeemed in various stores. As of September 30, 2013, cardholders were able to use their reward points in over 211,000 member merchant locations. 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. 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, that it complements other products within the Bank’s retail and corporate banking product portfolio. In monitoring a relationship with a particular customer, the Bank considers the profitability and the lifetime value of the relationship as a whole and not only with respect to the card business. The Bank’s management believes that the Bank’s card business is a core component of the Bank’s retail banking business, driving the cross-selling of other products such as demand deposits and commercial accounts and enabling the Bank to remain competitive in the Turkish banking sector. The Bank’s credit card business constitutes its largest source of gross fees and commissions income, contributing 37%, 40%, 38% and 34% of total gross fees and commissions income in the nine months ended September 30, 2013 and the full year 2012, 2011 and 2010, respectively.

Private Banking

The Bank offers financial solutions and investment alternatives to private banking customers based upon a “personalized service” approach. To be eligible for the Bank’s private banking services as of the date hereof, customers are required to have a minimum of TL 250,000 of assets under management held with the Bank.

As of September 30, 2013, the Private Banking business unit accounted for TL 0.5 billion (or 0.4%) of the Group’s total loans and TL 22.3 billion (or 18.4%) 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, such as Privia Line.

The Bank services private banking customers through dedicated private banking branches (as of the date hereof, nine total located in İstanbul, Ankara, İzmir, Antalya and Adana), and through private banking divisions set up at branches (as of the date hereof, 19 total located in İstanbul, Ankara, İzmir, Bursa, Mersin and Hatay). In addition, in various of the Bank's branches, customer relationship managers provide dedicated services solely for private banking customers.

Capital Markets Operations and Other Financial Services

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

As of September 30, 2013, the total value of the securities portfolio that the Bank manages for its customers was valued at TL 42,082 million (TL 48,366 million as of December 31, 2012).

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 September 30, 2013, the Bank had 11 million investment accounts.

Fixed Income. The Bank was the leading provider of fixed-income trading services to investors in Turkey as of September 30, 2013, with 20.3% of the Turkish market on a bank-only basis, totaling TL 14,701 million in fixed income securities under custody (source: BRSA). According to Borsa İstanbul data, as of September 30, 2013, the Bank held first place in the Borsa İstanbul, with a 25.6% market share in transaction volume.

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

Mutual Funds. The Bank was the leading Turkish bank in the mutual fund market as of September 30, 2013 with a market share of 23.47%, totaling TL 7.3 billion (source: Rasyonet). The Bank offers numerous mutual funds catering to a wide range of risk and return profiles. As of September 30, 2013, the Bank had over 822,000 investors in mutual funds.

As of September 30, 2013, the Bank had 22 Type-B funds, five of which were capital protected mutual funds, and the Bank was the largest Type-B fund provider in Turkey with a portfolio size of TL 6.6 billion, achieving a 22.82% market share (source: Rasyonet). As of the same date, the Bank's money market funds had a portfolio size of TL 3.9 billion, making the Bank the market leader in the Turkish money market mutual funds market according to Rasyonet. As of the same date, the portfolio size of the Bank's Type-A Funds was TL 662 million and the Bills and Bonds Funds was TL 2,268 million.

As of September 30, 2013, the Bank had nine Type-A mutual funds, out of which six of them are qualified as equity ("Type-A") mutual funds. As of September 30, 2013, the İşbank Moneybox Fund (the first fund in Turkey to be geared towards children) was the largest Type-A fund in Turkey with 266,761 investors and a portfolio size of TL 375 million, and the İşbank Affiliate Fund was the seventh largest Type-A fund in Turkey with a portfolio size of TL 61 million (source: Rasyonet).

The Bank also has a leading role in environmental and social responsibility projects in Turkey. As a major participant 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.

Custody. The Bank has been the leading custody provider in Turkey since the re-activation of the former İstanbul Stock Exchange and Gold Exchange (now Borsa İstanbul) 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, 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 and the provision of up-to-date market information.

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

Gold Trading. The Bank is an active gold trader on the Borsa İstanbul. As of September 30, 2013, 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 (source: BRSA). As of September 30, 2013, the Bank held a total of 44 tons in gold for over 458,000 customers. The Bank trades gold on the Borsa İstanbul 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.

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

The Bank is the first Turkish bank that opened overseas branches, having established branches in Alexandria, Egypt and Hamburg, Germany 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. As of the date hereof, in addition to Turkey, the Bank operates in 14 countries with branches, representative offices and two financial subsidiaries having a total of 49 branches and two representative offices. As of September 30, 2013, the Bank had 15 branches in the Turkish Republic of Northern Cyprus and one branch in each of Bahrain, London, Arbil (Iraq), Batumi (Georgia) and Pristina (Kosovo). As of September 30, 2013, 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 (as of September 30, 2013) being in the process of opening branches in Baghdad and Duhok (Iraq) and Tbilisi (Georgia).

As of September 30, 2013, the Bank’s network of correspondent banks comprised more than 1,500 banks in over 125 countries. This worldwide coverage through its correspondent banks, coupled with the Bank’s own extensive network, resulted in incoming foreign currency transfers at the Bank of US\$111.4 billion and outgoing foreign currency transfers of US\$68.0 billion during 2012 (US\$97.7 billion and US\$54.0 billion, respectively, for the first nine months of 2013). The Bank is a major participant in international trade finance and handles a sizable portion of the trade finance activities in Turkey. The Bank’s management believes that the Bank is one of the few Turkish banks that are active in trade finance, and had a market share in trade finance of more than 10% as of September 30, 2013 according to data from TurkStat. As part of its international banking activities, the Bank acted as the financial intermediary in connection with approximately US\$24.2 billion of import and US\$18.3 billion of export transactions in 2012 (US\$17.8 billion of import and US\$14.1 billion of export transactions during the first nine months of 2013). 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 September 30, 2013, the Group's total securities portfolio was valued at TL 42,329 million. As of such date, the Bank's securities portfolio was comprised of Turkish Lira-denominated floating rate securities (53.0%), Turkish Lira-denominated discount and fixed securities (30.0%), foreign currency-denominated discount and fixed securities (13.8%) and foreign currency-denominated floating securities (3.0%). Turkish government bonds and Turkish government treasury bills constituted 96.4% of the Bank's total securities portfolio as of such date. Moreover, 76.4% of the Bank's total securities portfolio was classified as "available for sale" as of such date.

Subsidiaries and Affiliates

Since its establishment in 1924, the Bank has played an important role not only in the Turkish financial sector but also in certain industrial sectors in Turkey. The Bank has pioneered the development of a number of new areas of business through investments and equity participations in the industrial and financial services sectors. Since its establishment, the Bank has invested in the equity of almost 300 companies and, over time, has divested all but a few of these companies. As of September 30, 2013, the Bank's direct equity interests were in companies operating in finance, glass, telecommunications and other industrial and services sectors, of which the shares in five companies were classified as available-for-sale securities. As of September 30, 2013, the total book value of the Bank's equity participations was TL 7,668 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 September 30, 2013.

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. ⁽³⁾	Investment Banking	40.52%	50.00%	6,424,501	998,894	19.6% ⁽¹⁾
İşbank AG	Banking	100.00%	100.00%	1,249,345	150,915	N/A
CJSC İşbank	Banking	100.00%	100.00%	272,294	55,673	N/A
Anadolu Anonim Türk Sigorta Şirketi ⁽³⁾	Non-Life Insurance	-	57.31%	1,327,736	316,868	12.6% ⁽²⁾
Anadolu Hayat Emeklilik A.Ş. ⁽³⁾	Life Insurance & Private Pension	62.00%	83.00%	3,815,520	258,081	20.0% ⁽¹⁰⁾⁽¹¹⁾
Milli Reasürans T.A.Ş. ⁽³⁾	Reinsurance	76.64%	77.06%	2,032,749	463,297	13.4% ⁽¹²⁾
İş Yatırım Menkul Değerler A.Ş. ⁽³⁾	Brokerage House	65.65%	70.69%	2,455,520	465,685	8.5% ⁽⁴⁾
Yatırım Finansman Menkul Değerler A.Ş.	Brokerage House	-	98.42%	360,076	36,802	2.5% ⁽⁴⁾
İş B Tipi Yatırım Ortaklığı A.Ş.	Investment Trust	-	36.60%	134,273	132,988	44.0% ⁽⁵⁾
İş Portföy Yönetimi A.Ş.	Asset Management	-	100.00%	39,313	36,297	21.9% ⁽⁶⁾
İş Finansal Kiralama A.Ş. ⁽³⁾	Leasing	27.79%	57.39%	1,561,457	306,868	6.1% ⁽⁷⁾
İş Faktoring A.Ş.	Factoring	-	100.00%	469,984	34,259	5.5% ⁽⁸⁾
İş Gayrimenkul Yatırım Ortaklığı A.Ş. ⁽³⁾	REIT	42.23%	58.04%	733,678	568,710	5.3% ⁽⁹⁾
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ⁽³⁾ ...	Venture Capital Inv.Trust	-	57.67%	223,822	151,999	N/A
Total				21,100,268	3,977,336	

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

(2) Gross written premiums (derived from data published by The Insurance Association of Turkey).

(3) Consolidated amounts.

(4) Transaction volume (derived from the Borsa İstanbul's website).

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

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

(7) Transaction volume (derived from the Turkish Leasing Association).

(8) Transaction volume (derived from the Turkish Factoring Association).

(9) Market Value (derived from the Public Disclosure Platform of the Borsa İstanbul).

(10) Total amounts of participants' funds.

(11) As of September 30, 2013, total amount of contributions to private pension system is TL 20.5 billion (of which Anadolu Hayat Emeklilik accounts for TL 4 billion of this figure).

(12) Gross domestic written premiums. Milli Reasürans T.A.Ş. is the sole Turkish reinsurance company operating in Turkish insurance sector with a domestic market share of 13.4% as of June 30, 2013. The remaining amount is shared by foreign reinsurance companies.

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

Non-Life Insurance. Established in 1925, Anadolu Sigorta offers a range of non-life insurance policies including fire and natural disaster, transport, accident, engineering, agriculture, health, general damage and other insurance products. As of September 30, 2013, the Bank had an indirect control over Anadolu Sigorta through its subsidiary Milli Reasürans, which has a 57.31% share in the company. Anadolu Sigorta was the second largest non-life insurance company in Turkey with a 12.6% market share in terms of gross written premiums in the non-life insurance market as of September 30, 2013 (source: The Insurance Association of Turkey). Anadolu Sigorta had gross written premiums of TL 1,920 million and TL 2,235 million for the nine months ended September 30, 2013 and for the year ended December 31, 2012, respectively.

For 2012 and the first nine months of 2013, Anadolu Sigorta recorded net losses of TL 56 million and net income of TL 49 million, respectively, on a consolidated basis. Anadolu Sigorta's products are distributed through its approximately 2,700 agents and through the Bank's and other contracted banks' branches.

Life Insurance and Private Pension. Anadolu Hayat was established in 1990 and offers life insurance and private pension policies. As of September 30, 2013, Anadolu Hayat was the second largest life insurance company in Turkey with a 11.7% market share in the life insurance market according to data published by The Insurance Association of Turkey and the largest private pension fund in Turkey with a 20.0% market share as of the same date, according to data provided by the Pension Monitoring Center. The Bank owns a 62.0% direct equity interest in the share capital of Anadolu Hayat as of September 30, 2013. For the nine months ended September 30, 2013, Anadolu

Hayat had gross written premiums of TL 306 million and for the year ended December 31, 2012, it had gross written premiums of TL 367 million. For the nine months ended September 30, 2013, Anadolu Hayat had pension contribution income of TL 670 million and for the year ended December 31, 2012, it had pension contribution income of TL 713 million. For the year ended December 31, 2012 and the nine months ended September 30, 2013, Anadolu Hayat recorded a net profit of TL 81 million and TL 64 million, respectively, on a consolidated basis. Anadolu Hayat insurance and pension products are distributed through its approximately 277 agents and through the Bank's and other contracted banks' branches and financial planning specialists.

Reinsurance. Milli Reasürans was established in 1929 to manage compulsory reinsurance transactions within Turkey and, as of the date hereof, is the only active reinsurance company resident in Turkey. The company fulfilled approximately 13.4% of the industry's need for reinsurance coverage as of June 30, 2013 (source: Milli Reasürans and The Insurance Association of Turkey). Since 1991, Milli Reasürans accepts business on a voluntary basis from Turkish insurance companies. As of September 30, 2013, the Bank owned a 76.6% direct interest in the share capital of Milli Reasürans. Its Singapore branch, opened in 2007, marked the first step of Milli Reasürans' plans to expand its presence beyond national borders. Milli Reasürans had gross written premiums of TL 526 million for the six months ended June 30, 2013 and TL 1,031 million for the year ended December 31, 2012. For the six months ended June 30, 2013, the company recorded net profit of TL 40 million on a consolidated basis (TL 39 million for the year ended December 31, 2012). In April 2013, A.M. Best affirmed Milli Reasürans' financial strength rating as "-B+" and removed the rating from under review, while S&P affirmed Milli Reasürans' national scale rating as "trAA+" in July 2013.

Investment Banking

TSKB is an equity participation in which the Bank held a 40.52% direct interest and a 50.0% group share as of September 30, 2013. TSKB's ordinary shares have been listed on the Borsa İstanbul (and its predecessor, the İSE) since 1986, and as of December 31, 2012, 54.06% of TSKB's shares were traded on the Borsa İstanbul and the remaining were minority shares. Founded in 1950, TSKB was the first investment bank founded in Turkey. As of December 31, 2012, TSKB was the largest private investment bank in Turkey in terms of total assets with total assets of TL 10,857 million and a 2012 net income of TL 325 million in consolidated figures (TL 12,785 million and TL 255 million, respectively, for the nine months ended September 30, 2013) (source: Banks Association of Turkey). 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.

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 September 30, 2013. According to the Public Disclosure Platform of the Borsa İstanbul, İş REIT was the fourth largest real estate investment trust in Turkey with an asset value of US\$734 million as of September 30, 2013. The real estate portfolio of İş REIT, from which the company earns rental income, is comprised of office spaces, hotels 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 September 30, 2013, 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 Borsa İstanbul. As of September 30, 2013, the consolidated total assets and equity of İş Leasing amounted to TL 3,107 million and TL 611 million, respectively. Net current leasing receivables amounted to TL 1,848 million as of the same date. As of September 30, 2013, 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 (40.41%), real estate (28.76%), transportation (11.62%) and other sectors (19.21%).

Brokerage and Custody

The Bank owned 65.65% of the share capital of İş Yatırım as of September 30, 2013, 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 Borsa İstanbul. İş Yatırım was the first investment banking institution with its securities traded on the Borsa İstanbul. 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 Borsa İstanbul, 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.

As of September 30, 2013, according to data provided by the Borsa İstanbul, İş Yatırım had the following market shares in organized exchange transactions: 8.5% in Borsa İstanbul equity transactions, 6.0% in the "Outright Purchases and Sales" market of the "Bills & Bonds" market among brokerage houses and 13.8% in the stock futures market of the TURKDEX. According to data provided by the Borsa İstanbul, İş Yatırım was the market leader among licensed brokerage firms in Turkey in terms of equity trading volume as of September 30, 2013. İş Yatırım was one of the founding partners of the TURKDEX, which commenced its operations in February 2005, and as of September 30, 2013 it continued 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 nine months ended September 2013 were TL 53.1 billion and TL 109.6 million, respectively, while its consolidated assets and equity amounted to TL 4.9 billion and TL 927 million, respectively. In addition, as of June 30, 2013, İş Yatırım was the largest licensed brokerage firm in Turkey in terms of its paid-in capital, which was TL 310.5 million (source: Union of Turkish Brokerage Firms). In October 2013, 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 (as of the date hereof) of 13 branches in Germany and one branch in each of The Netherlands, France, Switzerland and Bulgaria. One of İşbank AG's main priorities is the promotion of close commercial and business ties between Europe and Turkey. As of September 30, 2013, total assets and equity figures for İşbank AG were €1.2 billion and €150.9 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 (as of the date hereof) has four branches and eight affiliate branches in Moscow, St. Petersburg, Samara and Novosibirsk. As of September 30, 2013, the bank had around 300 employees and its total assets and equity amounted to 8,820.9 million Russian Rubles and 1,803.5 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 September 30, 2013, on other financial companies in which the Bank or the Bank and its subsidiaries and other affiliates own 20% or more of the outstanding share capital.

Company	Bank's Share	Shares owned by the Bank and the Bank's affiliates	Sector
Arap Türk Bankası A.Ş.	20.58%	20.58%	Banking
İş Faktoring 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 B Tipi Yatırım Ortaklığı A.Ş.	—	36.60%	Securities Investment Trust

Banking. Arap Türk Bankası A.Ş. functions mostly in commercial and corporate banking. The Bank does not have a control share in the bank and the Bank's direct share in the total capital of the bank was 20.58% as of September 30, 2013, which also indicates the Group's group share in the bank. As of June 30, 2013, consolidated total assets and equity of the bank amounted to TL 3,118 million and TL 441 million, respectively.

Factoring. The Bank had a 100% indirect group share in İş Faktoring A.Ş. ("*İş Faktoring*") as of September 30, 2013. The company had TL 935 million in total assets and TL 68 million in equity as of September 30, 2013, while its factoring receivables amounted to TL 912 million as of the same date. As of the date hereof, İş Faktoring 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 Borsa İstanbul in 2004. As of September 30, 2013, the Bank held a group share of 57.67% in the company through its subsidiaries, holding a paid-in capital amount of TL 66.7 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 2012 was TL 51.3 million (for the nine months ended September 30, 2013, a net profit of TL 70,000 million). The company's consolidated assets and equity as of September 30, 2013 amounted to TL 445.4 million and TL 302.5 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 13.9 billion as of September 30, 2013. As of such date, İş Portföy managed 29 of the Bank's mutual funds from various risk categories and had a market share of assets under management of 21.9% in a market size of TL 63.7 billion according to the CMB. Also, together with various pension funds that it manages for Anadolu Hayat, as of such date, İş Portföy captured a 18.9% market share out of a market size of TL 25.1 billion according to the CMB.

İş Portföy's net profit figure for 2012 was TL 9.6 million (TL 7.6 million for the first three quarters of 2013). The company's assets and equity, as of September 30, 2013 amounted to TL 78.2 million and TL 72.2 million, respectively.

Securities Investment Trust. İş B Tipi Yatırım Ortaklığı A.Ş. ("*İş Yatırım Ortaklığı*") is a securities investment trust that was founded in August 1995 and went public on the Borsa İstanbul 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 had the largest portfolio in the sector with a market share of 44% in a market size of TL 604 million as of September 30, 2013 according to the CMB. İş B Tipi Yatırım Ortaklığı's net profit for the 2012 was TL 47.5 million (TL 8.4 million for the first three quarters of 2013) while, as of September 30, 2013, its assets and equity amounted to TL 267.2 million and TL 264.6 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 2.0% of its total assets as of December 31, 2012 and September 30, 2013, respectively. For the full year 2012 and the nine months ended September 30, 2013, total dividend income received from its non-financial participations constituted 5.9% and 6.5%, respectively, of the Bank's net income. As of September 30, 2013, significant strategic non-financial equity participations of the Bank were the Şişecam Group and Avea. These participations are strategic in the sense that they are long-term investments of the Bank in companies with strong market positions in Turkey and, in Şişecam's case, in neighboring areas. These non-financial participations are not consolidated in the income statement of the consolidated BRSA Financial Statements; *however*, they are shown under the "Investments in Associates" and "Investments in Subsidiaries" line items at their market values for publicly traded non-financial participations and at their book values for the other non-financial participations in the consolidated BRSA Financial Statements.

Glass – Şişecam Group. As of September 30, 2013, the Bank held a 65.47% stake in the Şişecam Group, which it founded in 1935. With total assets of US\$5,501 million as of September 30, 2013, the Şişecam Group operates mainly in the area of glass manufacturing (including flat glass, glassware and glass packaging) and the production of fiberglass, soda ash and chromium chemicals. The Şişecam Group's production facilities are located in 13 countries, namely Turkey, Egypt, Russia, Georgia, Bulgaria, Bosnia Herzegovina, Italy, Ukraine, Romania, Germany, Hungary, Slovakia and India. Depending upon product category, as of the date hereof, 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 September 30, 2013, the Bank together with its subsidiaries and other affiliates held 10.0035% of the share capital of Avea and the remaining shares were owned by Türk Telekom. The Bank's standalone share in Avea's paid-up capital was 7.44% as of such date. Avea, which is one of the three GSM operators active in Turkey, 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 September 30, 2013, Avea had approximately 14.1 million subscribers and a 20% market share in the Turkish GSM market according to the "Electronic Communications Market in Turkey Report" published by Information and Communications Technologies Authority.

Others. The following table sets forth certain information, as of September 30, 2013, about the other non-financial companies in which the Bank or the Bank's subsidiaries and other affiliates own(s) 20% or more of the outstanding share capital. None of these investments represent more than 0.15% of the Bank's assets as of such date.

Company	Bank's Share	Shares owned by the Bank and the Bank's affiliates	Sector
Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik San. Tic. A.Ş.	99.89%	99.99%	Food
Bayek Tedavi Sağlık Hızım. ve İşl. A.Ş.	—	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
Mipaş Mümessillik İth. İhr. ve Paz. A.Ş.	—	100.00%	Real Estate Development
Nemtaş Nemrut Liman İşletmeleri A.Ş.	99.81%	100.00%	Shipping
Kültür Yayınları İş Türk Ltd. Şti.	99.17%	100.00%	Publication

Channel Management

As of September 30, 2013, the Bank, with its 1,276 domestic branches, had the most extensive branch network of all private sector banks in Turkey and had branches in every city in the country (source: Banks Association of Turkey). 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 most of its competitors, in addition to the branches in large cities, the Bank also has branches in rural districts.

Below is a table presenting the number of branches that the Bank had in each region of the country (plus foreign branches) as of September 30, 2013:

Regions	Branches
Marmara.....	501
Central Anatolia.....	223
Aegean	196
Mediterranean	146
Black Sea	110
South East Anatolia.....	59
Eastern Anatolia.....	41
Foreign Branches	20
Total	1,296

The Bank opened 63 (six branches were consolidated with other branches) in 2011, 47 (no branches were consolidated with other branches) in 2012 and 46 (one branch was consolidated with other branches) in the first nine months of 2013, and it plans to open additional domestic branches in 2013 and 2014. 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 September 30, 2013.* These branches provide specialized services to companies that meet the corporate qualification and size criteria determined by the Bank's head office.
- *Commercial Branches – 42 branches as of September 30, 2013.* 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 – 9 branches as of September 30, 2013.* 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 – 1,215 branches as of September 30, 2013.* 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 addition to its nationwide branch network, the Bank places great importance on its alternative distribution channels, including internet banking, mobile banking ("*İşCep*" and, for tablets, "*İşPad*"), ATMs and telephone banking.

The Bank had 5,521 domestic ATMs as of September 30, 2013. Based upon data provided by the Interbank Card Center, as of September 30, 2013, the Bank maintained the largest ATM network in Turkey, with a market share of 13.62%. From October 1, 2009, debit card users were able to withdraw money from their bank accounts via ATMs from all banks nationwide. Transactions via different banks' ATMs are subject to a fee determined by the cardholder's bank. The Bank's

management believes that in having the largest ATM network and nationwide coverage, the Bank has been one of the banks that benefits the most from this change.

As of September 30, 2013, the Bank had over 273,000 point-of-sale terminals.

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

	2010	2011	2012	First nine months of 2013
Branches	30%	25%	22%	20%
Non-branch	70%	75%	78%	80%
ATMs	30%	30%	32%	31%
Internet and Mobile.....	35%	40%	40%	45%
Telephone.....	1%	1%	2%	2%
Call Center	4%	4%	4%	3%

The Bank laid the foundations of non-branch banking in Turkey when its first ATMs "Bankamatik" were introduced in 1982. The Bank was also the first bank in Turkey to introduce telephone banking based upon an IVR system (1996), offer internet banking (1997) and provide value-added channel transactions such as remote stock exchange transactions. The Bank was also the first in Turkey to introduce a mobile banking application (İşCep) compatible with a wide range of mobile platforms. Two more recent innovations, both based upon code technology, were introduced - "İşCep Parakod", which enables online and point of sale payment with a credit card using a smartphone equipped with the "İşCep" application by scanning the code on an online shopping site or point of sale, and cardless cash withdrawal by using code technology on ATMs.

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 September 30, 2013, the Bank offered remote services in respect of more than 350 transactions that may be executed over the telephone or the internet and more than 100 transactions that could be executed over "İşCep" (mobile banking).

Information Technology

The Bank's technology operations and initiatives are managed by its IT division. This division employed almost 550 personnel, including approximately 300 professionals dedicated to installing, maintaining and operating the Bank's software applications, management information system and security system and branch IT systems as of September 30, 2013. In addition, two subsidiaries (Softtech and İşnet) provide application development and maintenance project management and systems operations/infrastructure services, respectively.

There is a continuous effort to implement and operate best practices such as COBIT, ITSM and CMMI which are the most widely accepted development, service delivery, service support and IT governance standards. Most critical operational data and software are stored on mainframe computer systems. As of the date hereof, approximately 3,900 Windows/AIX-based servers are installed to host or support collaboration, e-mail, database, reporting services, applications servers, general ledger, payment systems, core banking, call center, customer relationship management ("CRM"), internet banking web hosting of the Bank's websites and interactive voice response applications ("IVR"). The IT department of the Group reduced hardware-caused outages, as well as maintenance, power, space and other costs, by increasing the ratio of virtualized servers. WAN infrastructure is totally renewed and VOIP has become widespread.

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

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

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

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

Lending Policies and Procedures

Credit Approval and Monitoring

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

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

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

In addition, as of the date hereof, the Bank's branches have limited authority to extend commercial 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 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 Financial Analysis (company analysis), Economic Research (sector analysis) and Risk Management (credit risk analysis) divisions.

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

The Bank's senior management regularly monitors the overall quality of its loan portfolio. In order to detect deteriorating positions in its corporate, commercial and SME loan portfolio in a more timely and efficient manner, a behavioral model based upon data from the Central Bank's Risk Centralization division and from a selection of internal behavioral indicators has been developed. Indicators include defaults on liabilities and commitments, such as unpaid principal or interest, unpaid checks, protested drafts or bonds and unpaid commissions. All corporate, commercial and SME customers are monitored monthly and each customer is flagged according to risk classes determined by the model. This is a supportive process for both decision-making on new credit assignments to existing customers and taking actions to prevent borrower default. In addition, the Credit Portfolio Management 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. In addition, the Financial Analysis division and branches of the Bank are responsible for preparing 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 limitations 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 Bank's internal approach, borrowers are separated into different limit categories and exposure to borrowers in each category is limited to a certain percentage of the Bank's own funds.

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

	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. As of the date hereof, 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 (as of the date hereof) between 100% and 25% of its notional values.

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

As of the date hereof, Turkish regulations also require Turkish banks to provide: (a) a general loan loss reserve calculated at 1% of their total standard cash loan portfolio (except for export loans and SME, for which the general loan loss

reserve is calculated at 0% and 0.5%, respectively) 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) (except for export loans and SME loans, for which the general loan loss reserve is calculated at 0% and 0.1%, respectively) and 0.4% of their watch-list non-cash loan portfolio. Furthermore, regulations(as of the date hereof) also require banks to provide general reserves equal to: (a) 5% of their standard cash loan portfolio (except 0% for export loans and 2.5% for SME loans) 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 housing loans, all applicable for the banks whose consumer loans to total loans ratio is above 25% or those having a ratio of non-performing consumer loans (other than housing loans) to consumer loans (other than housing loans) above 8%, and (c) 10% for standard and watch list consumer loans (other than 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 25% or those having a ratio of non-performing consumer loans (other than housing loans) to consumer loans (other than 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 as of the date hereof are 2% and 0.4% respectively. The amount of NPLs restructured and transferred to the “Renewed and Restructured Loans Account” in the nine months ended September 30, 2013 and in the full years ended 2012, 2011 and 2010 totaled TL 53.5 million, TL 75.4 million, TL 101.8 million and TL 121.4 million, respectively. The ratio of restructured NPLs (which are transferred to the “Renewed and Restructured Loans Accounts”) to total NPLs as of September 30, 2013 and December 31, 2012, 2011 and 2010 was 2.36%, 3.72%, 5.13% and 5.04%, respectively. Other loans that are not classified as NPLs may also be restructured. As of September 30, 2013, restructured performing loans constituted 4.02% of the Bank’s total performing loan portfolio.

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

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

	As of December 31,			As of
	2010	2011	2012	September 30,
				2013
	<i>(TL millions)</i>			
Balance at the beginning of the period	2,818	2,464	2,109	2,154
Additions ⁽¹⁾	1,006	988	1,200	1,332
Recoveries ⁽²⁾	1,025	1,075	717	808
Portfolio sale.....	329	88	421	88
Write-off ⁽²⁾	6	179	17	11
Balance at the end of the period	2,464	2,109	2,154	2,579

⁽¹⁾ Including foreign currency effect.

⁽²⁾ Excluding portfolio sales.

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

	As of December 31,			As of
	2010	2011	2012	September 30,
	(TL millions)			2013
Renewed and restructured loan accounts	782	1,318	2,425	5,546

Loan Portfolio Quality

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

	As of December 31,			As of
	2010	2011	2012	September 30,
				2013
Total NPL (TL million)	2,407	1,984	2,025	2,369
Coverage Ratio ⁽¹⁾	100.0%	100%	78.9%	79.2%
NPL/Ratio	3.6%	2.1%	1.9%	1.8%

⁽¹⁾ Total amount of specific provisions, divided by NPLs.

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

	As of December 31,			As of
	2010	2011	2012	September 30,
				2013
Consumer loans ⁽¹⁾	2.9%	1.5%	1.6%	1.7%
Credit card loans	9.1%	5.2%	3.5%	4.0%
Total Loans	3.6%	2.1%	1.9%	1.8%

(1) Including retail overdraft accounts.

As of September 30, 2013, the Bank's NPL ratios were 1.7%, 4.0% and 1.8% 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 December 31, 2012 were 1.6%, 3.5% 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 September 30, 2013, the Bank’s total net exposure to its risk group totaled TL 2,963 million, an amount corresponding to 11.45% 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 September 30, 2013, the Bank is well within the limits set by the BRSA.

Employees and Benefits

As of September 30, 2013, the Bank had 24,047 employees. The following table sets forth the number of employees as of the indicated dates.

	<u>Employees</u>
December 31, 2010.....	23,944
December 31, 2011.....	24,887
December 31, 2012.....	24,411
September 30, 2013	24,047

The Bank focuses on ensuring that employees have the level of education suitable for operational effectiveness and a career at the Bank. As of September 30, 2013, 20% of the Bank’s employees had only a secondary school education, 2% were graduates of two or three years at college, 69% were graduates of universities relating to the banking industry, 5% were graduates of other universities and 4% had postgraduate degrees. Historically, the Bank has sought to maximize the opportunity for career development for its employees, with all positions filled through internal promotions and assignments as possible.

The Bank’s workforce accounted for 11.32% of all banking industry employees in Turkey as of September 30, 2013 according to the Banks Association of Turkey. The Bank’s personnel turnover rate (*i.e.*, resignations excluding retirees) is very low, amounting to 2.47%, 2.76% and 3.45% in 2010, 2011 and 2012, respectively. As of September 30, 2013, the Bank’s employees (excluding security guards) had, on average, approximately 9.43 years of experience in the Bank and an average age of approximately 34.39 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, the most recent of which was agreed on March 4, 2013. Collective bargaining negotiations for the next period are expected to begin in 2014. The Bank’s management believes that the Bank has good relations with Basisen, the sole union associated with the Bank.

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

For pension funds, Law no. 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws”, which was published in the Official Gazette dated May 8, 2008 and numbered 26870, decrees that payment obligations to the contributors of bank pension funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this law within three years after the release date of the related article without any need for further operation and that the three year transfer period can be prolonged for up to two years by a decision of the Turkish Cabinet; *however*, the law “Emendating Social Security and General Health Insurance Act”, which was published in the Official Gazette dated March 8, 2012 and numbered 28227, raised the Cabinet’s authority to extend this period from two years to four years (*i.e.*, until May 8, 2015) and then the Cabinet further extended this period for another year by Cabinet decision dated April 8, 2013 (published in the Official Gazette dated May 3, 2013 and numbered 28636).

Legal Proceedings

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

Competition Board Investigations

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

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

In November 2011 the Turkish Competition Board initiated an investigation against the Bank and 11 other banks operating in Turkey with respect to allegations of acting in concert regarding interest rates and fees on deposits, loans and credit card services. On March 8, 2013, the Competition Board ruled that the Bank was to be fined TL 147 million (other banks were also fined, ranging from TL 10 million to TL 213 million, with fines generally based upon net income) in connection with this investigation. The Bank paid three quarters of this administrative penalty (*i.e.*, TL 110 million), in accordance with the provisions of law permitting a 25% reduction if paid within 30 days after the Bank’s receipt of the final decision. The Bank has objected to this decision through proceedings in the administrative courts. While there is no precedent Turkish court decision approving the legal validity of any such claims by customers and there are not any resolved cases opened by any customers against the Bank in this respect, under articles 57 and 58 of the Law on the Protection of Competition customers may be able to bring claims against the Bank seeking damages.

Tax Audit

As announced in the Bank’s disclosure dated December 31, 2012, the Bank Tax Audit Committee Inspectors made an inspection regarding the Bank’s payments (contributions) to “Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı,” which is a foundation established according to Turkish Commercial Law and Civil Law in order to fulfill the Bank’s liabilities within the framework of the Articles of Foundation of the Pension Fund and the related legislation. As a result of this examination, a tax audit report was prepared for the periods of 2007 and 2008 claiming that the aforementioned liabilities should be taxed on wage base, thus they should be subject to income withholding tax and revenue stamp. As a result of such inspection, inspection report was prepared claiming the suspended income tax stoppage on payments and stamp duty for 2007 and 2008. According to this report, a tax penalty notice with the total amount of TL 74.0 million was served on the Bank. The Bank’s management is of the opinion that these payments were made in compliance with applicable legislation and that there is no legal basis for the assessments and claims raised in the tax audit reports and, accordingly, the Bank has not established any provision for this matter in the Bank’s financial statements. The Bank has applied to the tax courts to cancel these tax notifications.

Anti-Money Laundering Policies

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

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

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

Compliance with OFAC Rules

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

Accordingly, the Bank’s policies restrict the Bank from engaging in any prohibited business investments and transactions with Sanction Targets, including Iran.

Credit Ratings

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

Standard & Poor’s (April 5, 2013)

Foreign Currency Issuer Credit Ratings	BB+ / (Stable) / B
Local Currency Issuer Credit Ratings	BB+ / (Stable) / B
Certificates of Deposit	BB / B
Turkish National Scale	trAA+/trA-1

Moody's (May 21, 2013)

Bank Financial Strength	D+ / Stable
Baseline Credit Assessment	Baa3
Bank Deposit Foreign Currency	Baa3 / Stable / P-3 (Prime 3)
Bank Deposit Local Currency	Baa2 / Stable / P-2 (Prime 2)
Foreign Currency Issuer	Baa2 / Stable

Fitch (December 14, 2012)

Foreign Currency Issuer Default Rating	BBB / Stable / F3
Local Currency Issuer Default Rating	BBB / Stable / F3
National Long Term Rating	AAA (tur) /Stable
Viability Rating	bbb
Support Rating	3
Support Rating Floor	BB+

RISK MANAGEMENT

General

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

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

Internal Systems

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

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

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

Board of Inspectors

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

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

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

Internal Control Division

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

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

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

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

Risk Management Group

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

Corporate Compliance Division

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

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

Treasury Division

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

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

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

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

- (a) managing the Bank's liquidity position,

- (b) managing the Bank's investment portfolio,
- (c) daily trading in order to enable the Bank to benefit from any advantageous market opportunities,
- (d) managing the Bank's net foreign currency position, ensuring that its remains within the limits set by the Turkish banking authorities and the risk appetite of the Bank as set by its Board of Directors,
- (e) managing the composition of any long or short foreign currency position,
- (f) utilizing derivative instruments, such as currency and interest rates swaps, as well as forward, futures and options transactions, for general hedging purposes,
- (g) determining the Bank's Turkish Lira/foreign currency rates, which are used by its branches in pricing Turkish Lira/foreign currency transactions for their clients,
- (h) managing the Bank's foreign currency cash stocks and providing services to domestic banks enabling the transportation of their foreign currency denominated cash from Turkey to a related country,
- (i) pricing high volume Turkish Lira and foreign currency-denominated deposits of financial institutions and charities similar to the money market transactions in terms of pricing besides the determination of FTP for both Turkish Lira and foreign currency-denominated loans and deposits,
- (j) pricing structured finance deals and bilateral loans,
- (k) mitigating counterparty risk arising from treasury transactions through ISDA Credit Support Annex related collateral management,
- (l) monitoring market risk on the Bank's trading book via the traders limit system, and
- (m) finalizing the operational processes of the Bank's front office transactions, including the management of Turkish Lira and foreign currency money transfers.

Asset Liability Management

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

ALCO is chaired by the Bank's Deputy Chief Executive who is also responsible for the Treasury division. The other Deputy Chief Executives who attend ALCO meetings are those in charge of the following functions: corporate and commercial banking, corporate and commercial loan underwriting, credit risk management and portfolio monitoring and SME loans underwriting, retail and private banking, strategy and corporate performance management, capital markets and international financial institutions, subsidiaries, financial management and economic research. 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, 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 September 30, 2013, the Group's total assets increased to TL 233,510 million from TL 201,075 million as of December 31, 2012. The following chart sets forth details of the composition of the Group's main assets and liabilities by currency as of September 30, 2013 and December 31, 2012 and 2011:

	As of September 30, 2013		As of December 31,			
			2012		2011	
	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)
<i>Assets</i>						
Cash and Banks.....	23.2%	76.8%	26.4%	73.6%	30.4%	69.6%
Loans	62.0%	38.0%	63.3%	36.7%	61.0%	39.0%
Securities Portfolio	83.8%	16.2%	83.4%	16.6%	76.6%	23.4%
Total Assets.....	63.5%	36.5%	66.4%	33.6%	63.9%	36.1%
<i>Liabilities</i>						
Deposits	57.8%	42.2%	60.0%	40.0%	60.1%	39.9%
Funds Borrowed ⁽¹⁾	48.4%	51.6%	47.4%	52.6%	44.0%	56.0%
Total Liabilities	62.3%	37.7%	64.3%	35.7%	63.0%	37.0%

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 September 30, 2013:

	0-One Month	Three Months	Three to 12 Months	12 Months
<i>Assets</i>				
Cash and Banks	96.4%	2.3%	1.3%	0.0%
Loans ⁽¹⁾	18.8%	7.7%	25.0%	48.4%
Securities Portfolio	4.0%	2.2%	25.4%	68.4%
Total Assets⁽²⁾	26.4%	5.9%	21.8%	46.0%
<i>Liabilities</i>				
Deposits	73.4%	19.8%	6.2%	0.5%
Funds Borrowed ⁽³⁾	41.7%	6.3%	20.2%	31.8%
Total Liabilities⁽⁴⁾	64.6%	14.7%	11.0%	9.7%

Notes: Derivative Financial Assets Held for Trading amounting to TL 1,037,616 thousand are included in the securities portfolio.

(1) Including factoring receivables.

(2) Excluding unallocated assets.

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

(4) Excluding unallocated liabilities.

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

Market risk

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

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

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

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

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

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

Interest Rate Risk

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

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

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

The following table sets forth the Group's "re-pricing" gap, which is the difference between the interest rate sensitivity of assets and the interest rate sensitivity of liabilities, as of September 30, 2013:

	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	-	-	-	-	21,629,875	21,629,875
Balances with banks	3,384,683	620,351	300,630	-	839,618	5,145,282
Trading securities	704,334	575,255	618,088	456,688	310,001	2,664,366
Interbank funds sold	308,540	20,551	-	-	-	329,091
Securities available for sale	6,471,622	2,288,565	11,617,912	12,324,306	315,800	33,018,205
Loans	36,078,999	22,099,228	30,030,525	54,310,293	166,542	142,685,587
Securities held to maturity	3,148,005	1,655,090	2,881,123	-	-	7,684,218
Other assets	992,051	87,862	387,431	1,146,051	17,740,205	20,353,600
Total assets	51,088,234	27,346,902	45,835,709	68,237,338	41,002,041	233,510,224
Bank deposits	3,064,241	554,991	430,629	13,628	229,612	4,293,101
Other deposits	60,910,523	23,386,627	7,083,566	627,738	24,390,765	116,399,219
Interbank funds borrowed	21,111,604	969,011	692,973	-	-	22,773,588
Miscellaneous payable	644,498	1,697	2,068	3,824	10,712,034	11,364,121
Marketable securities issued	940,675	2,602,342	2,040,991	5,532,874	-	11,116,882
Funds borrowed from other financial institutions	5,610,022	8,221,799	7,914,125	1,918,048	-	23,663,994
Other liabilities	602,310	1,154,942	2,364,325	96,621	39,681,121	43,899,319
Total liabilities	92,883,873	36,891,409	20,528,677	8,192,733	75,013,532	233,510,224
Asset/liability gap	(41,795,639)	(9,544,507)	25,307,032	60,044,605	(34,011,491)	-
Off-balance sheet gap	948,535	2,022,030	(579,241)	(2,802,821)	-	(411,497)
Total gap	(40,847,104)	(7,522,477)	24,727,791	57,241,784	(34,011,491)	(411,497)
Cumulative gap	(40,847,104)	(48,369,581)	(23,641,790)	33,599,994	(411,497)	-

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 Turkish Lira and foreign currency cash flows. Based upon cash flow projections, prices are differentiated for different maturities and measures are taken accordingly to meet liquidity requirements. Moreover, potential alternative sources of liquidity are determined where required for extraordinary circumstances. Foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting requirements, are also used to monitor liquidity on an ongoing basis.

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

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

The largest portion of the Group's funding source is deposits, constituting 58.7%, 53.7%, 52.7% and 51.7% of total liabilities as of December 31, 2010, 2011 and 2012 and September 30, 2013, 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 September 30, 2013, the Group's demand deposits, of which 57.6% were Turkish Lira-denominated, constituted 11.5% of total deposits on a Bank-only basis. As of the same date, time deposits represented 79.6% of total deposits, with foreign currency-denominated deposits playing a major role, constituting 37.8% 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 the indicated dates:

	As of September 30,		As of December 31,				
	2013		2012	2011	Change	2010	Change
	(TL millions)	(%)	(TL millions)	(TL millions)	(%)	(TL millions)	(%)
No term	24,646	15.45%	21,347	19,054	12.03%	14,689	29.72%
Turkish Lira-denominated	13,903	21.54%	11,439	10,228	11.84%	9,290	10.10%
Foreign currency-denominated	10,743	8.43%	9,908	8,826	12.26%	5,399	63.47%
Up to three months	77,717	4.51%	74,366	66,115	12.48%	65,294	1.26%
Turkish Lira-denominated	50,215	0.26%	50,086	43,101	16.21%	46,002	(6.31)%
Foreign currency-denominated	27,502	13.27%	24,280	23,014	5.50%	19,292	19.29%
Greater than three months and less than or equal to 12 months	11,930	170.83%	4,405	8,700	(49.37)%	5,546	56.87%
Turkish Lira-denominated	5,126	241.05%	1,503	5,419	(72.26)%	2,827	91.69%
Foreign currency-denominated	6,804	134.46%	2,902	3,281	(11.55)%	2,719	20.67%
Over 12 months	6,399	8.59%	5,893	4,963	18.74%	2,948	68.35%
Turkish Lira-denominated	498	(8.96)%	547	639	(14.40)%	392	63.01%
Foreign currency-denominated	5,901	10.38%	5,346	4,324	23.64%	2,556	69.17%
Total deposits	120,692	13.85%	106,011	98,832	7.26%	88,477	11.70%
Turkish Lira-denominated	69,742	9.70%	63,575	59,387	7.05%	58,511	1.50%
Foreign currency-denominated	50,950	20.06%	42,436	39,445	7.58%	29,966	31.63%

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 December 31, 2011 and 2012 and September 30, 2013 would have changed profit or loss by the amounts shown in the table below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As of September 30,	As of December 31,	
	2013	2012	2011
	<i>(TL thousands)</i>		
US\$.....	(16,855)	228,999	236,031
Euro.....	(115,568)	(202,894)	(92,892)
GBP.....	57,291	76,740	105,295
Total.....	(75,132)	102,845	248,434

Credit Risk

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

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

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

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

Operational Risk

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

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

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

Subsidiaries' Risk Management

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

Anti-Money Laundering (“AML”) and Combating the Financing of Terrorism (“CFT”) Policies

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

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

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

In line with the AML Regulation, on September 24, 2008, the Bank’s Corporate Compliance division was established and a manager was appointed as the Bank’s Compliance Officer. The Corporate Compliance division reports directly to the Board of Directors.

In an effort to ensure compliance with FATF requirements, the CFT Law was introduced on February 16, 2013. The CFT Law introduces an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The law includes further criminalizing terrorist financing and implementing an adequate legal framework for identifying and freezing terrorist assets. On May 31, 2013, the Regulation on Procedures and Principles Regarding the Application of the Law on the Prevention of the Financing of Terrorism become effective, which regulation provides the procedures and principles for the decision-making, execution and termination of the freezing of assets as well as the management and supervision of the frozen assets. Also, the Council of Ministers’ Decree dated September 30, 2013 implemented United Nations Security Council Resolutions 1267, 1988, and 1989, which further improved Turkey’s CFT regime. See “Risk Factors – Risks Related to Turkey - Combating the Financing of Terrorism.”

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

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

Client Identification

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

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

Monitoring Suspicious Transactions

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

Funding

Deposits are the Group's main source of funding, with a 51.7% share in total liabilities as of September 30, 2013. As of September 30, 2013, according to the consolidated financial statements 58.0%, and Bank-only financial statements 66.1% 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, other than deposits, the primary funding sources currently available for the Bank are the repo and reverse repo market of the Borsa İstanbul, the over-the-counter interbank money market, the interbank money market of the Central Bank, collateralized loans and bill and bond issues. In January 2012, the Bank's Board of Directors authorized the issuance of bills and bonds with a value of up to TL 6.1 billion. In April 2013 the Board authorized another issuance of bills and bonds up to TL 7.46 billion in addition to the TL 5.75 billion authorized in July 2012. As of September 30, 2013, the Bank has issued corporate bonds with a total value of TL 20.2 billion, consisting of: TL 17.3 billion of bills, TL 2.7 billion of discounted bonds and TL 160 million of coupon-bearing bonds, of these issuances TL 5.4 billion is still outstanding. 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 September 30, 2013, the balance of the two syndicated term loan facilities

obtained by the Bank was approximately US\$2.6 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. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Funding.”

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 September 30, 2013	% Change	As of December 31, (TL millions)		
			2012	2011	% Change
Deposits	120,692	13.8%	106,011	98,832	7.3%
Repos & Money Market	22,774	33.7%	17,031	22,473	(24.2)%
Funds Borrowed ⁽¹⁾	32,637	27.7%	25,549	22,545	13.3%
Other ⁽²⁾	31,970	15.7%	27,625	19,775	39.7%
Equity	25,437	2.3%	24,859	20,311	22.4%
Total	233,510	16.1%	201,075	183,936	9.3%

(1) Including marketable securities issued and funds borrowed.

(2) Including subordinated loans.

	As of September 30, 2013	As of December 31, (%) of Total Liabilities	
		2012	2011
Deposits	51.7%	52.7%	53.7%
Repos & Money Market	9.8%	8.5%	12.2%
Funds Borrowed ⁽¹⁾	14.0%	12.7%	12.3%
Other ⁽²⁾	13.7%	13.7%	10.8%
Equity	10.9%	12.4%	11.0%
Total	100.0%	100.0%	100.0%

(1) Including marketable securities issued and funds borrowed.

(2) Including 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 1” capital, which comprises its share capital, reserves, retained earnings and profit for the current periods, *plus* its “Tier 2” 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.

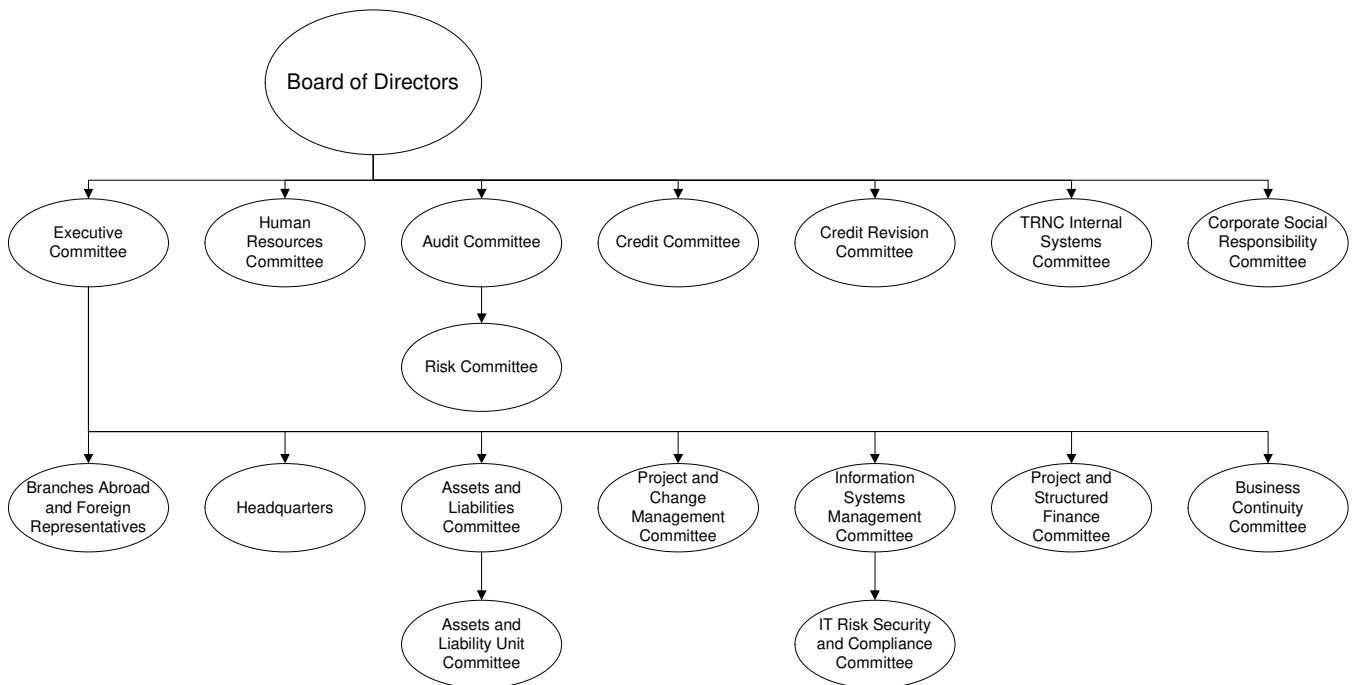
As of September 30, 2013, the Bank's regulatory capital adequacy ratio was 14.45% and the Group's regulatory capital adequacy ratio was 14.56%, each significantly exceeding the minimum ratio. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy" and "Turkish Regulatory Environment – Capital Adequacy" below.

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 a 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 more than 40 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 as of September 30, 2013:



Board of Directors

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

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

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

Recent amendments to the Turkish Commercial Code allow the appointment of a legal entity as a member of the board of directors of a joint stock company. Under such rules, a legal entity on a board of directors would be represented by a natural person designated by it. Alternatively, natural persons can be members of the board. Notwithstanding this recent

change, the BRSA's Board has issued a decision prohibiting the appointment of a legal entity as a member of the board of directors of any joint stock company that it regulates, and thus members of the Bank's board can still only be natural persons.

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

Name	Position	Year first appointed to the Board
H. Ersin Özince	Chairman	1998
Fusun 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	Independent Director	2011
Murat Vulkan.....	Director	2011

Additional information on each of these Directors is set forth below:

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.

Fusun Tümsavaş (Deputy Chairman)

Born in Ankara in 1957, Fusun 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. Fusun 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, the TRNC (Turkish Republic of Northern Cyprus) Internal Systems Committee and the Corporate Governance 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 from 1986 to 1992 and Vice Rector from 1996 to 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 from 1991 to 2000 and he attended the ILO Conference held in Geneva as the Counselor to the Government during the years 1991 to 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 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, the Remuneration Committee since December 29, 2011 and the Corporate Governance Committee since February 27, 2013.

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 Kıcaloğlu (Director)

Born in Silifke in 1946, Mustafa Kıcaloğlu 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 (Independent 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 and, on February 27, 2013, was elected as an independent director, which election was approved by the Bank's shareholders at its March 29, 2013 annual General Assembly.

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.

Executive Committee

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

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

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

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

Senar Akkuş

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

Hakan Aran

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

Ertuğrul Bozgedik

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

Yılmaz Ertürk

Born in İstanbul in 1964, Mr. Yılmaz Ertürk is graduated from the Faculty of Economics at İstanbul University and received his master's degree from the same university, Institute of Social Sciences. In 1987, he joined the Bank as an Assistant Specialist in Economic Research Division. He became an Assistant Specialist at the Treasury Department in 1990, an Assistant Manager in 1996 and a Unit Manager in 1998 at the same department. Mr. Ertürk became the Head of the Economic Research Division in 2003, Head of the International Banking Division in 2006 and Manager of the Kozyatağı Corporate Branch in 2011. Mr. Ertürk was appointed as Deputy Chief Executive on January 30, 2013.

Suat İnce

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

İlhami Koç

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

Levent Korba

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

Rıza İhsan Kutlusoy

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

Mahmut Magemizoğlu

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

Aydın Süha Önder

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

Yalçın Sezen

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

Board Committees

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

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 2013, the Bank's Credit Revision Committee revised all the firms and institutions under the authority of the Board of Directors and Credit Committee and completed the examination and revision of limits for hundreds of group or individual companies and 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. 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 also contributes to the configuration of group risk policies through consolidated group meetings. In the activities that the Risk Committee carries out on a consolidated basis, the Deputy Chief Executive responsible for the Equity Participations Division and the Department Head of the Equity Participations Division also attend the meetings.

The Turkish Republic of Northern Cyprus ("TRNC") Internal Systems Committee. Due to the Bank having 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 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 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.

Corporate Governance Committee. As per the resolution of the Board of Directors dated February 27, 2013, the Corporate Governance Committee was established for the purpose of assuring that the Bank complies with corporate governance principles and determining appropriate independent nominees for the Bank's Board of Directors.

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 Borsa İstanbul. 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 the first three quarters of 2012 was TL 11 million (TL 13 million for the first three quarters of 2013).

Corporate Governance

The Bank recognizes the importance of maintaining sound corporate governance practices. The relationship between the Bank's management, shareholders, employees and third parties including customers, legal authorities, suppliers and various other individuals and institutions with whom the Bank does business are based upon fundamental governance principles including integrity, credibility, non-discrimination, compliance, confidentiality, transparency, accountability and sustainability.

The Bank is subject to the Corporate Governance Principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. Where the Bank does not comply with any of the non-mandatory principles applicable to it under the Corporate Governance Communiqué, it will describe any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of the Bank's annual report. See also "Turkish Regulatory Environment – Corporate Governance Principles."

OWNERSHIP

The Bank was established in 1924 at the initiative of Mustafa Kemal Atatürk, the founder of modern Turkey. The Bank has three classes of shares, Class A Shares, Class B Shares and Class C Shares. For the principal differences among these three classes of shares, see “-Voting rights” and “-Privileges” below.

According to the Central Registry Agency, as of September 30, 2013: (a) the major shareholder of the Bank, with a 40.16% shareholding, was the İşbank Personnel Supplementary Pension Fund, which acts on behalf of both active and retired employees of the Bank, (b) 31.75% of the Bank’s shares were on free float, and the remaining 28.09% were held by the CHP, which is the testamentary heir of the Bank share capital held initially by Mustafa Kemal Atatürk under his will dated as of September 5, 1938. Under such will and its interpretation by the Turkish courts, dividends on the share capital of the Bank held by the CHP are paid equally to the following two non-profit organizations: the Turkish Language Institute and the Turkish Historical Society.

As of September 30, 2013, the share capital of the Bank was TL 4,500,000,000 consisting of 112,502,250,000 fully paid-up shares. According to the Central Registry Agency, registered shareholdings in the Bank as of such date were as follows:

Shareholder	Shares⁽¹⁾	Percentage
Pension Fund		
Class A Shares	35,532	0.0%
Class B Shares.....	948,830	0.0%
Class C Shares.....	45,174,823,967	40.2%
Sub-total.....	45,175,808,329	40.2%
Atatürk’s Shares (the CHP)		
Class A Shares	27,568	0.0%
Class B Shares.....	823,769	0.0%
Class C Shares.....	31,603,348,766	28.1%
Sub-total.....	31,604,200,103	28.1%
Public Free Float		
Class A Shares	36,900	0.0%
Class B Shares.....	1,127,401	0.0%
Class C Shares.....	35,721,077,267	31.8%
Sub-total.....	35,722,241,568	31.8%
Total		
Class A Shares	100,000	0.0%
Class B Shares.....	2,900,000	0.0%
Class C Shares.....	112,499,250,000	100.0%
Total.....	112,502,250,000	100.0%

⁽¹⁾ Each Class A and B share has a nominal value of one Kuruş. Each Class C share has a nominal value of four Kuruş. One hundred Kuruş are equal to one Turkish Lira.

Dividends

Dividends are paid by the Bank from its net profit in accordance with its articles of incorporation. Under its articles of incorporation, the Bank is required to allocate 5% of its net profit towards its statutory reserve fund, 5% as a provision for probable losses and 10% as a first contingency reserve. From the balance of net profit, an amount equal to 6% of the Bank’s paid-up share capital represented by Class A, B and C shares is distributed to the shareholders as a “first dividend.” Should the net profit realized in any year be insufficient to provide for the first dividend of 6%, the balance is to be distributed out of the Bank’s contingency reserve fund with such amount constituting a charge to be made up out of profits to be realized in subsequent years. Once the first dividend (and, where appropriate, the contingency reserve fund) is provided for, the balance of the net profit is distributed as follows: 10% for founder shares (limited to TL 250,000 of paid-up capital), 0.25% for the members of the Board of Directors (including the Chief Executive Officer) to be shared among them equally, 20% for the

employees of the Bank and 10% as a second contingency reserve. Once these amounts have been distributed, the balance is distributed to the Bank's shareholders as a "second dividend" in accordance with the Bank's articles of incorporation.

The following table sets forth details of the Bank's dividend distributions pertaining to the indicated years (all of which consisted entirely of cash dividends).

	2008	2009	2010	2011	2012
Class A Shares	TL 60	TL 345	TL 284	TL 205	TL 271
Class B Shares	TL 1,740	TL 5,878	TL 4,995	TL 3,848	TL 4,797
Class C Shares	TL 165,393,300	TL 550,988,911	TL 690,869,466	TL 542,616,499	TL 665,259,329
Total	TL 165,395,100	TL 550,995,134	TL 690,874,745	TL 542,620,552	TL 665,264,397
Payout ratio (%).....	34.6% ⁽¹⁾	32.4%	23.2%	20.3%	20.1%

⁽¹⁾ Including both cash and bonus shares. 10.96% of net income is distributed in cash.

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 the date hereof) also provides that each share must have a minimum nominal value of one Kuruş. At the time that Law 5274 was passed, each Class A share had a nominal value of "old" TL 500 (which was the equivalent of 50,000 "old" Kuruş); *however*, following the translation of the Turkish Lira (conversion of "old" Turkish Lira to "new" Turkish Lira by removing six zeros from the currency), the Class A shares had a nominal value of 0.05 "new" Kuruş (TL 500 *divided by* TL 1,000,000). In order to comply with the above-mentioned requirement, the Bank held an Extraordinary General meeting on July 25, 2007, during which shareholders passed a resolution to bundle 20 previous Class A shares each with a nominal value of 0.05 Kuruş into one Class A share, each with a nominal value of one Kuruş. As a result, each current Class A share gives its holder 20 voting rights.

Despite having a lower nominal value, Class B shares, each with a nominal value of one Kuruş, have the same voting rights as the Class C shares, each with a nominal value of four Kuruş. Votes may be cast by proxy.

Privileges

Because each current Class A share is a bundle of 20 of the previously issued Class A shares, holders of current Class A shares have additional privileges according to Articles 18 and 19 of the Bank's articles of incorporation. For example, holders of Class A shares: (a) can receive 20 times the number of additional shares in a possible distribution of bonus shares issued from the conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws and (b) are eligible to exercise 20 times the preference rights per Class A Share.

Furthermore, Class A and B shares, each with a nominal value of one Kuruş, are granted privileges in distribution of profits pursuant to Article 58 of the Bank's articles of incorporation.

Major Shareholders

İşbank Personnel Supplementary Pension Fund

The Pension Fund is a separate legal entity from the Bank and is organized as a private Turkish “foundation” under the Turkish Civil Law, operating within the Turkish Regulations of Foundations. All active and retired Turkish employees of the Bank are members of the Pension Fund. The aim of the Pension Fund is to provide higher pensions to the Bank’s employees when they retire and to provide both employees and pensioners with various social benefits.

Atatürk’s Shares (The CHP)

The CHP is the testamentary heir of the Bank’s share capital held initially by Mustafa Kemal Atatürk. The CHP was founded on September 9, 1923 approximately one and a half months before the proclamation of the Republic of Turkey. The CHP is the first official political party of the Republic of Turkey and was established by Mustafa Kemal Atatürk, who was also the founder of the Bank. Atatürk remained the chairman of the CHP until his death in 1938 when, in line with the provisions of his will, his shares in the Bank were transferred to the CHP.

Under Atatürk’s will, any dividends on the share capital of the Bank held by the CHP are paid to the Turkish Language Institute and the Turkish Historical Society. Therefore, the CHP enjoys only representative rights in relation to their shares derived from Atatürk’s bequest.

Other Shareholders

The remaining shares are on free float held by other individual or institutional shareholders who together owned 31.8% of the Bank’s shares according to Central Registry Agency data as of September 30, 2013.

RELATED PARTY TRANSACTIONS

The Bank and its qualified shareholders, Board of Directors (including the Chief Executive Officer) and the undertakings that they control individually or jointly, directly or indirectly or in which they participate with unlimited responsibility or where they are members of board of directors or general manager are considered and referred to as related parties. The Bank enters into transactions with related parties in the ordinary course of its business and on an arm's length basis and will continue to do so in the future. See also "Business of the Group – Related Party Transactions."

Restrictions relating to loans extended by the Bank to the members of its Board of Directors are defined in Article 50 of the Banking Law. The Bank does not extend loans to the members of its Board of Directors other than those allowed by the law.

None of the members of the Bank's Board of Directors or executive officers has or has had any interest in any transaction effected by the Bank and that are or were unusual in their nature or conditions or significant to the business of the Bank and that were effected during the current or immediately preceding financial year or were effected during an earlier financial year and remain in any respect outstanding or unperformed. None of these individual transactions are material.

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group must not be more than 20% of its own funds. As of September 30, 2013, the Bank's total net exposure to its risk group totaled TL 2,963 million, an amount corresponding to 11.45% 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.

	As of December 31,						As of September 30,	
	2010		2011		2012		2013	
	Amount	Percentage of Related Item	Amount	Percent age of Related Item	Amount	Percentage of Related Item	Amount	Percentage of Related Items
<i>(TL thousands, except percentages)</i>								
Cash loans.....	460,281	0.67%	702,189	0.71%	567,177	0.49%	611,082	0.43%
Non-cash loans	1,733,947	10.55%	2,458,207	9.01%	1,527,460	5.08%	1,845,617	4.98%
Deposits.....	2,287,626	2.59%	2,133,162	2.16%	2,291,383	2.16%	2,346,990	1.94%
Derivatives.....	—	0.00%	188,145	0.25%	817	0.00%	230,655	0.25%

TURKISH BANKING SYSTEM

The following information relating to the Turkish banking sector has been provided for background purposes only. The information has been extracted from third-party sources that the Bank's management believes to be reliable but the Bank has not independently verified such information. See "Responsibility Statement."

Structural Changes in the Turkish Banking System

The Turkish financial sector has gone through major structural changes as a result of the financial liberalization program that started in the early 1980s. The abolition of directed credit policies, liberalization of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to US\$4,916 million at the end of 2001 from US\$8,056 million for 28 banks at the end of 2000, according to the Banks Association of Turkey.

The Turkish money markets and foreign exchange markets have stabilized since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and 2002, after which all private commercial banks were either found to be in compliance with the 8% minimum capital requirement, transferred to the SDIF or asked to increase their capital level). The transparency of the system has improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the banking sector and resulted in a more level playing field among banks. Certain advantages for state banks were diminished while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, among other things, weakened financial stability and liquidity, and efforts are continuing on the resolution of the SDIF banks while restructuring and privatization of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilization Support Fund ("RUSF") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero; *however*, the 3% RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. In addition, effective from January 2, 2013 RUSF rates for cross-border foreign exchange borrowings extended by financial institutions outside of Turkey with an average maturity of between one to two years changed from 0% to 1% and those with an average maturity of between two to three years changed from 0% to 0.5%, while those with an average maturity of three years or more remained at 0%. The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10% to 15% in order to curb domestic demand fueled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers determined the RUSF charged on consumer credits to be utilized by real persons (for non-commercial utilization) to 15% with its decision numbered 2010/974, which was published in the Official Gazette dated October 28, 2010 and numbered 27743.

The Turkish Banking Sector

The Turkish banking industry has undergone significant consolidation over the past decade with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 on December 31, 2008, which stayed at that level until February 2011 when Fortis Bank A.Ş. merged with Türk Ekonomi Bankası A.Ş. In October 2012, Odea Bank A.Ş. commenced operations. In September 2013, Bank of Tokyo Mitsubishi UFJ Turkey A.Ş. received approval from BRSA to start banking operations in Turkey. A number of banks were transferred to the SDIF and eventually removed from the banking system through mergers or liquidations. The table below shows the evolution of the number of banks in the Turkish banking system as of the end of each indicated year.

	<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</u>
Number of banks	54	50	48	47	46	46	45	45	45	44	45

Source: Banks Association of Turkey (www.tbb.org.tr)

Note: Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).

As of September 30, 2013, 46 banks were operating in Turkey, including the newest Turkish bank (Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş., which was granted an operating license in September 2013). Thirty-three of these were deposit-taking banks and the remaining banks were investment and development banks (four participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, 11 were private domestic banks, 18 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 18.7% from December 31, 2006 to September 30, 2013, driven by loan book expansion and deposits growth, which increased by a CAGR of 24.5% and 16.8%, respectively, between December 31, 2006 and September 30, 2013, in each case according to the BRSA. Despite strong growth of net loans and deposits since 2006, the Turkish banking sector remains significantly under-penetrated compared with banking penetration in the eurozone. Loans/GDP and deposits/GDP ratios of the Turkish banking sector were 49.9% and 50.5%, respectively, as of December 31, 2012 according to BRSA data, whereas the eurozone's banking sector had loan and deposit penetration ratios of 128.9% and 115.3%, respectively, as of the same date based upon the European Central Bank's data.

The following table shows key indicators for deposit-taking banks in Turkey as of (or for the period ended on) the indicated dates.

	As of (or for the year ended) December 31,							As of (or for the nine months ended) September 30,
	2006	2007	2008	2009	2010	2011	2012	2013
	<i>(TL millions, except percentages)</i>							
Balance sheet								
Loans	202,467	262,572	338,091	355,285	479,018	621,379	716,307	889,781
Total assets	470,635	543,272	683,823	773,357	932,371	1,119,911	1,247,653	1,492,973
Deposits	296,495	342,031	435,554	487,909	583,947	656,276	724,296	845,035
Shareholders' equity	50,409	64,533	72,060	93,833	114,979	123,007	157,553	161,881
Income statement								
Net Interest Income	19,607	23,978	28,245	38,758	35,895	36,056	47,837	39,431
Net Fees and Commission Income	6,420	7,894	9,611	10,846	11,459	13,345	14,704	12,997
Total income	33,414	39,744	45,339	57,275	58,955	61,669	73,831	63,845
Net Profit	10,243	13,468	11,851	18,490	20,518	18,177	21,539	18,154
Key ratios								
Loans/deposits	68.3%	76.8%	77.6%	72.8%	82.0%	94.7%	98.9%	105.3%
Net interest margin	5.1%	5.3%	5.1%	5.9%	4.7%	3.7%	4.4%	4.1%
Return on average equity	22.2%	26.6%	19.9%	25.5%	22.2%	16.8%	16.9%	16.1%
Capital adequacy ratio	19.9%	17.4%	16.6%	19.3%	17.7%	15.5%	17.3%	15.1%

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 89.6% of total assets of deposit-taking banks as of September 30, 2013 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 September 30, 2013 according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 29.0% of deposit-taking Turkish banks’ performing loans and 35.3% of total deposits as of September 30, 2013. 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 48.7% of deposit-taking Turkish banks’ performing loans and approximately 48.6% of total deposits as of September 30, 2013. The remaining banks in the top 10 deposit-taking banks in Turkey include three mid-sized banks, namely Finansbank A.Ş. (“*Finansbank*”), Türk Ekonomi Bankası and Denizbank A.Ş. (“*Denizbank*”), which were controlled by National Bank of Greece, TEB Holding and Sberbank, respectively, as of September 30, 2013.

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 September 30, 2013.

Rank by Assets	Bank	Major Shareholders	Assets (US\$ millions)	Assets market share	Loans market share ⁽¹⁾	Deposits market share	Branches
1	İşbank	İşbank Personnel Supplementary Pension Fund (40.2%), Cumhuriyet Halk Partisi (28.1%)	102,592	13.7%	14.6%	14.1%	1,296
2	Ziraat Bank	Treasury (100%)	98,385	13.1%	11.1%	15.5%	1,613
3	Garanti	Doğuş Group (24.2%), BBVA (25.0%)	95,387	12.7%	12.5%	12.8%	974
4	Akbank	Sabancı Holding, affiliates and family (48.8%), Citigroup (9.9%)	90,580	12.1%	11.7%	12.2%	975
5	Yapı Kredi Bank	Koç Financial Services ⁽²⁾ (81.8%)	71,712	9.6%	9.9%	9.5%	939
6	Halkbank	Privatization Administration (51.1%)	64,563	8.6%	8.8%	10.7%	872
7	Vakıfbank	General Directorate of Foundations (58.5%)	63,801	8.5%	9.1%	9.1%	844
8	Finansbank	National Bank of Greece (94.8%)	31,667	4.2%	4.6%	4.5%	658
9	Denizbank	Sberbank (88.85%)	28,000	3.7%	4.1%	3.9%	680
10	Türk Ekonomi Bankası	TEB Holding (55.0%) ⁽³⁾ , BNP Paribas (40.8%)	25,836	3.4%	4.0%	3.9%	537

Source: Banks Association of Turkey (www.tbb.org.tr) and BRSA (www.bddk.org.tr)

Note: Rankings and market shares among deposit-taking banks only.

Note: The Banks Association of Turkey’s definition of branch varies from the Bank’s definition. Therefore, the information provided above may differ slightly from what is provided elsewhere in this Offering Circular.

(1) Performing loans only are included.

(2) Koç Financial Services is a joint venture of Koç Group, Unicredit Group and Temel Ticaret ve Yatırım A.Ş.

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

The Bank’s management perceives the other large private sector 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 September 30, 2013:

Banks	Number of Branches	Per Branch		
		Total Assets	Loans ⁽¹⁾ (TL millions)	Customer Deposits
The Bank	1,296	157.5	101.7	92.3
Garanti.....	974	194.9	115.7	111.5
Akbank	975	184.9	108.8	106.1
Yapı Kredi.....	939	152.0	95.1	85.9
Vakıfbank.....	844	150.4	97.1	91.4

Source: Banks Association of Turkey (www.tbb.org.tr) and the banks' financials as of September 30, 2013.

(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.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of the authority granted to it by the Banking Law. The BRSA is obliged and authorized to take and implement any decisions and measures in order to prevent any transaction or action that could jeopardize the rights of depositors and the regular and secure operation of banks and/or could lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

The BRSA has responsibility for all banks operating in Turkey, including foreign banks and participation banks. The BRSA sets various mandatory ratios such as capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to the Regulation regarding the Internal Systems of Banks, as issued by the BRSA and published in the Official Gazette dated June 28, 2012 and numbered 28337, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their organizations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

The Role of the Central Bank

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, provision of price stability and its continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently of the government. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorized and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis depending upon the nature of the information to be reported.

Banks Association of Turkey

The Banks Association of Turkey is an organization that provides limited supervision of and coordination among banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; *however*, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the Banking Regulation and Supervision Board 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 Banking Regulation and Supervision Board. 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 Banking Regulation and Supervision Board. If the Banking Regulation and Supervision Board determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorization as described in the preceding paragraph, then it is authorized to direct the board of directors of a bank to start the procedure to cancel such applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without authorization by the Banking Regulation and Supervision Board. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

The Banking Law sets out certain lending limits for banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognized as loans by the BRSA. Avals, guarantees and sureties accepted from, a real person or legal entity in a risk group for the guarantee of loans extended to that risk group are not taken into account in calculating loan limits.
- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a member of a board of directors or general manager, as well

as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of a board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the Banking Regulation and Supervisory Board's discretion to increase such lending limits up to 25% or lower it to the legal limit. Real and legal persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

- Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits within the framework of principles and ratios set by the BRSA.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

- (a) transactions backed by cash, cash-like instruments and accounts 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 and transactions carried out against bonds, bills and other securities issued by or payment of which is guaranteed by these institutions,
- (c) transactions carried out in money markets established by the Central Bank or pursuant to special laws,
- (d) in the event a new loan is extended to the same person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements,
- (e) equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any payment,
- (f) transactions carried out among banks on the basis set out by the BRSA,
- (g) equity participations acquired through underwriting commitments in public offerings, provided that such participations are disposed of in a manner and at a time determined by the BRSA,
- (h) transactions that are taken into account as deductibles in calculation of own funds, and
- (i) other transactions to be determined by the BRSA.

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve adequate level of provisions against impairment in the value of other assets, for qualification and classification of

assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring the loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year they are set aside.

Procedures relating to loan loss reserves for non-performing loans are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to classify their loans and receivables into one of the following groups:

- (a) *Loans of a Standard Nature and Other Receivables:* This group involves loans and other receivables:
- (i) that have been disbursed to natural persons and legal entities with financial creditworthiness,
 - (ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,
 - (iii) 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
 - (iv) 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 (except for export loans and SME loans, for which the general loan loss reserve is calculated at five times of 0% and 0.5%, respectively) 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 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.

- (b) *Loans and Other Receivables Under Close Monitoring:* This group involves loans and other receivables:
- (i) 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,
 - (ii) 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,
 - (iii) 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
 - (iv) 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 for closely-monitored loans 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 1.25 times the Consumer Loans Provisions for amended consumer loan agreements (other than 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.

- (c) *Loans and Other Receivables with Limited Recovery*: This group involves loans and other receivables:
 - (i) 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,
 - (ii) the credibility of whose debtor has weakened and where the loan is deemed to have weakened,
 - (iii) 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
 - (iv) 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.
- (d) *Loans and Other Receivables with Suspicious Recovery*: This group involves loans and other receivables:
 - (i) that seem unlikely to be repaid or liquidated under existing conditions,
 - (ii) 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,
 - (iii) 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
 - (iv) 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.
- (e) *Loans and Other Receivables Considered as Losses*: This group involves loans and other receivables:
 - (i) that are deemed to be uncollectible,
 - (ii) collection of whose principal or interest or both has been delayed by one year or more from the due date, or
 - (iii) for which, although sharing the characteristics stated in Groups III and IV, the bank is of the opinion that they have become weakened and that the debtor has lost his creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Pursuant to Article 53 of the Banking Law, banks must calculate the losses that have arisen, or are likely to arise, in connection with loans and other receivables. Such calculations must be regularly reviewed. Banks must also reserve adequate provisions against depreciation or impairment of other assets, qualify and classify assets, receive guarantees and security and measure the reliability and the value of such guarantees and security. In addition, banks must monitor loans under review and monitor the repayment of overdue loans and establish and operate systems to perform these functions. All provisions set

aside for loans and other receivables in accordance with this article are considered expenditures deductible from the corporate tax base in the year they are set aside. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month on which the payment of such loans and receivables has been delayed.

The Regulation on Provisions and Classification of Loans and Receivables also requires Turkish banks to provide a general reserve calculated at 1% of the cash loan portfolio (except for export loans and SME loans, for which the general loan loss reserve is calculated at 0% and 0.5%, respectively) *plus* 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) (except for export loans and SME loans, for which the general loan loss reserve is calculated at 0% and 0.1%, respectively) for standard loans; and a general reserve calculated at 2% of the cash loan portfolio *plus* 0.4 % of the non-cash loan portfolio for closely-monitored loans. In addition, 25% of such rates will be applied for each check that remains uncollected for a period of five years after issuance. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, at least 40% of the reserve amount calculated according to the above mentioned ratios had to be reserved by December 31, 2012, at least 60% shall be reserved by December 31, 2013, at least 80% shall be reserved by December 31, 2014 and 100% shall be reserved by December 31, 2015.

Banks with consumer loan ratios greater than 25% of their total loans and banks with non-performing consumer loan (classified as frozen receivables (excluding housing loans)) ratios greater than 8% of their total consumer loans (excluding housing loans) (pursuant to the unconsolidated financial data prepared as of the general reserve calculation period) are required to set aside a 4% general provision for outstanding (but not yet due) consumer loans (excluding housing loans) under Group I, and an 8% general provision for outstanding (but not yet due) consumer loans (excluding 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 Turkish banking regulations, a 0.3% general provision ratio is required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA may apply the same ratio or a higher ratio as the general reserve requirement ratio.

Turkish banks are also required to set aside general provisions for the amounts monitored under the accounts of “Receivables from Derivative Financial Instruments” on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the “Regulation on Loan Transactions of Banks” (published in the Official Gazette No. 26333 on November 1, 2006) by applying the general provision rate applicable for cash loans. In addition to the general provisions, special provisions must be set aside for the loans and receivables in Groups III, IV and V at least in the amounts of 20%, 50% and 100%, respectively. An amount equal to 75% less special provisions is set aside for each check slip of customers who have loans under Groups III, IV and V, which checks were delivered by the Bank at least five years previously; *however*, if a bank sets aside specific provisions at a rate of 100% for non-performing loans, then it does not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, are defined as “frozen receivables.” If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a frozen receivable, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable. If a frozen receivable is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if there were no related frozen receivable.

Pursuant to the amendment dated September 21, 2012 made to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA is entitled to increase the provision rates taking into account the sector and country risk status of the borrowers.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: (a) cash, deposit, profit sharing fund and gold deposit accounts that are secured by pledge or assignment agreements, promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Housing Development Administration of Turkey or the Privatization Administration and funds gained from repo transactions over similar securities and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within the applicable bank, (b) transactions executed with the Treasury, the Central Bank, the Housing Development Administration of Turkey or the Privatization Administration and transactions made against promissory notes, debenture bonds and similar securities issued directly or guaranteed by such institutions, (c) securities issued directly or guaranteed by the central governments or central banks of countries that are members of the Organization for Economic Co-operation and Development (the “OECD”), (d) guarantees and sureties given by banks operating in OECD member states, (e) securities issued directly or guaranteed by the European Central Bank, (f) sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits and (g) bonds and debentures issued by banks operating in Turkey.

Category II Collateral: (a) precious metals other than gold, (b) shares quoted on a stock exchange and A-type investment profit sharing funds, (c) asset-backed securities and private sector bonds except ones issued by the borrower, (d) credit derivatives providing protection against credit risk, (e) the assignment or pledge of accrued entitlements of real and legal persons from public agencies, (f) liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value, (g) mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate, provided that their appraised value is sufficient, (h) export documents based upon marine bill of lading or transport bills, or insured within the scope of an exportation loan insurance policy, and (i) bills of exchange stemming from actual trading relations, which are received from natural persons and legal entities.

Category III Collateral: (a) commercial enterprise pledges, (b) other export documents, (c) vehicle pledges, (d) mortgages on aircraft or ships, (e) sureties from real or legal persons whose creditworthiness is higher than the debtor itself and (f) promissory notes of real and legal persons.

Category IV Collateral: any other security not otherwise included in Category I, II or III.

Assets owned by banks and leased to third parties under financial lease agreements must also be classified in accordance with the above-mentioned categories.

When calculating the special reserve requirements for frozen receivables, the value of collateral received from an applicable borrower is deducted from such borrower’s loans and receivables in Groups III, IV and V above in the following proportions in order to determine the amount of the required reserves:

Category	Discount Rate
Category I collateral	100%
Category II collateral	75%
Category III collateral.....	50%
Category IV collateral.....	25%

In case the value of the collateral exceeds the amount of the NPL, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the NPL.

According to Article 11 of the Regulation on Provisions and Classification of Loans and Receivables, in the event of a borrower’s failure to repay loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower’s liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether Group III, IV or V) for at least the next six month period and, within such period, provisions continue to be set aside at the special provision rates applicable to the group in which they are included. After the lapse of such six-month period, if total collections reach at least 15% of the total receivables for restructured loans, then the remaining receivables are reclassified to the “Renewed/Restructured Loans Account.” The bank

may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; *provided* that at least 20% of the principal and other receivables are collected on a yearly basis.

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries (such as the maritime industry) or countries (such as current rules that are in place for real persons or legal entities residing in or engaged in activities relating to Libya and Syria).

Capital Adequacy

In order to implement the rules of the report entitled “International Convergence of Capital Measurement and Capital Standards: a Revised Framework” published by the Basel Committee on Banking Supervision (the “*Basel Committee*”) in June 2004 (commonly referred to as “*Basel II*”) into Turkish law, on June 28, 2012, the BRSA issued a 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 2006 BRSA Regulation, subordinated loans (which as defined can also include bonds) to a bank are grouped as “primary subordinated loans” and “secondary subordinated loans” and are listed as one of the items that constitute regulatory capital. The portion of primary subordinated loans equal to an amount from 15% up to 50% of “Tier 1” capital is included in the calculation of “Tier 1” capital. The portion of primary subordinated debts that is not included in the calculation of “Tier 1” capital *plus* the total secondary subordinated debts that exceed 50% of “Tier 1” 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 2” capital.

See also a discussion of the implementation of Basel III in “-Basel Committee - Basel III” below.

Tier 2 Rules under Turkish Law

Tier 2 Rules as of the date of this Offering Circular. Secondary subordinated debts are currently regulated under the 2006 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) are listed as one of the items that constitute a bank’s supplementary capital (*i.e.*, “Tier 2” 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 Notes are being issued under the 2006 BRSA Regulation (see “-New Tier 2 Rules” below with respect to certain reductions to the Bank’s ability to include the full amount of the Notes as Tier 2 capital starting from January 1, 2015).

Unless temporarily permitted by the BRSA in exceptional cases, the portion of primary subordinated debts that is not included in the calculation of “Tier 1” capital *plus* the total secondary subordinated debts that, in aggregate, exceeds 50% of “Tier 1” capital is not taken into consideration in the calculation of “Tier 2” 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 2” 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 2” capital. Any cash credits extended by the bank to the provider(s) of the “secondary subordinated loans” (if debt instruments, to the investor(s) holding 10% or more thereof) and any debt instruments issued by such provider(s) (or investor(s)) and purchased by the bank are also deducted from the amount to be used in the calculation of the Tier 2 capital. A secondary subordinated debt is taken into account in the calculation of “Tier 2” capital on the date of the accounting of such secondary subordinated debt on the books of the relevant bank.

The 2006 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 2” 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.

New Tier 2 Rules. According to the new 2013 BRSA Regulation, which will come into force on January 1, 2014 and replace the 2006 BRSA Regulation, Tier 2 capital shall be calculated by subtracting capital deductions from the total of general provisions and the debt instruments (including issuance premiums related to these) that are not to be included in Tier 1 capital and have been approved by the BRSA upon the application of board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with conditions set forth below (the “*New Tier 2 Conditions*”):

(a) the debt instrument shall have been issued by the bank and registered with the CMB and shall have been fully collected in cash,

(b) in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier 1 capital and shall be subordinated with respect to rights of deposit holders and all other creditors,

(c) the debt instrument shall not be related to any derivative operation or contract violating the condition stated in clause (b) nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly,

(d) the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivize prepayment, such as dividends and increase of interest rate,

(e) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to following conditions:

(i) the bank should not create any market expectation that the option will be exercised by the bank,

(ii) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations, or

(iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the Regulation on Measurement and Evaluation of Capital Adequacy of Banks along with the procedures and principles on capital buffers that are to be set by the BRSA, (B) the capital requirement derived as a result of an internal capital adequacy assessment process of the bank and (C) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; *provided* that the above conditions in this clause (e) are met and the BRSA approves,

(f) the debt instrument shall not provide the investors with the right to demand early amortization except for during a bankruptcy or dissolution process relating to the issuer,

(g) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer,

(h) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself,

(i) if there is a possibility that the bank's operating license would be cancelled or the probability of transfer of management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law, temporary or permanent removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates would be possible if the BRSA so decides, and

(j) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier 2 Conditions (except the issuance and registration with the CMB) are met also can be included in Tier 2 capital calculations.

In addition to the New Tier 2 Conditions, the BRSA may require new conditions for each debt instrument.

Applications to include debt instruments or loans into Tier 2 capital shall be accompanied with the original copy or a notarized copy of the applicable agreement(s) or, if an applicable agreement is not yet signed, a draft of such agreement (with submission of a copy of its original to be made after receipt of the BRSA's consent). If the interest rate is not explicitly indicated in the loan agreement or the prospectus of the debt instrument (*borçlanma aracı izahnamesi*), 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 2 capital.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier 2 capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier 2 capital calculations, and that have less than five years to maturity, shall be included in Tier 2 capital calculations after being reduced by 20% each year.

While existing debt instruments that do not meet the New Tier 2 Conditions as of January 1, 2014 are not required to meet such conditions or otherwise become subject to such conditions (*e.g.*, they are not subject to the new loss absorbency rules), the issuing bank will be permitted to take them into account for equity calculation only after reducing their nominal amount over the total amount of the Tier 2 instruments by 10% each year effective from January 1, 2015. Additionally, the debt instruments that provide for an increase in interest rate after January 1, 2015 shall not be taken into account in equity calculation as of the date of increase.

Basel Committee

Basel II. The most significant difference between the capital adequacy regulations in place before July 1, 2012 and the new Basel II regulations is the calculation of risk-weighted assets related to credit risk. The new regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks will largely stem from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0% risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50% or 100% risk weighting for Turkey depending upon the selection of the rating agency; *however*, the Turkish law implementing Basel II principles in Turkey (*i.e.*, the "Turkish National Discretion") revises this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign currency-denominated claims on the Central Bank in the form of reserve requirement will also have a 0% risk weight. As a result of these implementation rules, the impact of the new regulations has been fairly limited when compared to the previous regime. The BRSA has announced that the migration from the previous regime to Basel II regulations has had an effect of an approximately 0.20% decline in the capital adequacy levels of the Turkish banking system as of July 31, 2012. This figure is consistent with the Bank's own experience and thus no additional capital needs are projected for the Bank in the short term due to this change in the regulatory capital adequacy framework.

Basel III. Turkish banks' capital adequacy requirement will be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented between 2014 and 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and adopted the 2013 BRSA Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which will enter into effect on January 1, 2014. The 2013 BRSA Regulation introduces core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital, whereas the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier 1 capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) change the risk weights of certain items that are categorized under "other assets." The 2013 BRSA Regulation has also introduced new Tier 2 rules and determined new criteria for debt instruments to be included in the Tier 2 capital.

In addition to these implementations: (a) the Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, and (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), were published in the Official Gazette dated November 5, 2013 and numbered 28812 and will enter into effect on January 1, 2014 with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that will enter into effect on January 1, 2015. Lastly, in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA

has published a draft regulation on a liquidity coverage ratio. Turkish banks' capital adequacy requirement will be further affected by the January 1, 2014 commencement of certain Basel III requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. If the Bank and/or the Group is unable to maintain its capital adequacy ratios above the minimum levels required by the BRSA (whether due to its inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

As of the date hereof, 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.....	13%
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)	13%
Other liabilities up to 3-year maturity (including 3-year)	11%
Other liabilities longer than 3-year maturity	6%
Special fund pools.....	Ratios for corresponding maturities above

As of the date hereof, the reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	11.5%
Deposits/participation accounts up to 1-month maturity (including 1-month).....	11.5%
Deposits/participation accounts up to 3-month maturity (including 3-month).....	11.5%
Deposits/participation accounts up to 6-month maturity (including 6-month).....	8.5%
Deposits/participation accounts up to 1-year maturity	6.5%
Deposits/participation accounts up to 1-year and longer maturities and cumulative deposits/participation accounts	5%
Other Turkish Lira liabilities up to 1-year maturity (including 1-year)	11.5%
Other Turkish Lira liabilities up to 3-years maturity (including 3-years)	8%
Other Turkish Lira liabilities longer than 3-year maturity	5%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (a) a portion of the Turkish Lira reserve requirements in US Dollars and/or Euro and another portion of the Turkish Lira reserve requirements in standard gold and (b) a portion of the foreign currency reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, as of

September 28, 2012, banks are required to maintain their required reserves against their US Dollar-denominated liabilities in US Dollars only.

Furthermore, pursuant to an amendment to the Communiqué Regarding Reserve Requirements that entered into force on December 31, 2012, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

- (a) its total liabilities,
- (b) its total non-cash loans and obligations,
- (c) its revocable commitments multiplied by 0.1,
- (d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate, and
- (e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4th quarter of 2013 through the 3rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
Following the 4 th quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Banks have been required to notify the Central Bank of their leverage ratios starting from December 31, 2012, and the above-described additional reserve requirements will first be implemented in 2014 starting with 2013 year-end financial statements.

Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008).

According to the Regulation on Measurement and Assessment of the Liquidity Adequacy of Banks issued by the BRSA and announced in the Official Gazette dated November 1, 2006 and numbered 26333, the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. On a weekly basis, a bank must maintain: (a) a 100% liquidity adequacy ratio for the first maturity period (assets and liabilities maturing within seven days are taken into account in calculations on a weekly average as defined by the regulation) and the second maturity period (assets and liabilities maturing within 31 days of the last working day are taken into account) on an aggregate basis and (b) a 80% liquidity adequacy ratio on a foreign currency-only basis.

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 on Authorization and Activities of Institutions to Perform External Audit in Banks, published in the Official Gazette on November 1, 2006 and numbered 26333. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. With the Regulation on Internal System of Banks published in the Official Gazette No. 28337, dated June 28, 2012, new standards as to principles of internal audit and risk management systems were established in order to bring such standards into compliance with Basel II requirements.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

The SDIF

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is subject to its regulations. The SDIF is responsible for and authorized to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the

shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits*

Pursuant to Article 63 of the Banking Law, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, Banking Regulation and Supervision Board and the Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the Banking Regulation and Supervision Board.

(b) *Borrowings of the SDIF*

The SDIF: (i) may incur indebtedness with authorization from the Undersecretariat of Treasury or (ii) the Undersecretariat of Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

(c) *Power to require Advances from Banks*

Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

(d) *Contribution of the Central Bank*

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

(e) *Savings Deposits that are not subject to Insurance*

Deposits, participation funds and other accounts held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the board of the BRSA are not covered by the SDIF's insurance.

(f) *Premiums as an Expense Item*

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

(g) *Liquidation*

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Code No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(h) *Claims*

In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since February 15, 2013, up to TL 100,000 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:

- (i) ensuring the enforcement of the SDIF board's decisions,
- (ii) establishing the human resources policies of the SDIF,
- (iii) 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,
- (iv) insuring the savings deposit and participation funds in the credit institutions,
- (v) 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,
- (vi) 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,
- (vii) 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,
- (viii) 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,
- (ix) requesting from public institutions and agencies, real persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law,
- (x) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision, and
- (xi) fulfilling the other duties that the Banking Law and other related legislation assign to it.

Cancellation of Banking License

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due,
- the bank is not complying with liquidity requirements,
- the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit,
- the regulatory equity capital of such bank is not sufficient or is likely to become insufficient,

- the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure,
- the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,
- such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems, or
- imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then the BRSA may require the board of directors of such bank:

- to increase its equity capital,
- not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,
- to increase its loan provisions,
- to stop extension of loans to its shareholders,
- to dispose of its assets in order to strengthen its liquidity,
- to limit or stop its new investments,
- to limit its salary and other payments,
- to cease its long-term investments,
- to comply with the relevant banking legislation,
- to cease its risky transactions by re-evaluating its credit policy,
- to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA, and/or
- to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA determines that taking such actions will not lead to getting a favorable result, then the Banking Regulation and Supervision Board may require such bank to:

- strengthen its financial structure, increase its liquidity and/or increase its capital adequacy,
- dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA,
- decrease its operational and management costs,
- postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees,

- limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors,
- convene an extraordinary general assembly in order to change some or all of the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks significantly as stipulated above,
- implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing, and/or
- to take any other action that the Banking Regulation and Supervision Board may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to getting a favorable result, then the Banking Regulation and Supervision Board may require such bank to:

- limit or cease its business or the business of the whole organization, including its relations with its local or foreign branches and correspondents, for a temporary period,
- apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilization,
- remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them,
- make available long-term loans; *provided* that these will not exceed the amount of deposit or participation funds subject to insurance, and be secured by the shares of other assets of the controlling shareholders,
- limit or cease its non-performing operations and to dispose of its non-performing assets,
- merge with one or several banks,
- provide new shareholders in order to increase its equity capital,
- deduct any resulting losses from its own funds, and/or
- take any other action that the Banking Regulation and Supervision Board may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the Banking Regulation and Supervision Board 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.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports include the following information: management and organization structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorized to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors must approve the annual reports prepared by the banks.

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

According to BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Banks must submit a copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must also keep a copy of such reports in their headquarters and a soft copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. Besides they must publish them on their websites by the end of May following the end of the relevant fiscal year.

Disclosure of Financial Statements

With the Communiqué on Financial Statements to be Disclosed to the Public published in the Official Gazette No. 28337 dated June 28, 2012, new principles of disclosure of annotated financial statements of banks were promulgated. The amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public, and new standards of disclosure of operational, market,

currency and credit risk were determined. In addition, new principles were determined with respect to the disclosure of position risks relating from (*inter alia*) securitization transactions and investments in quoted stocks.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Corporate Governance Principles

On December 30, 2011, the Corporate Governance Communiqué was published by the CMB and entered into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, including the Bank. The provisions of the Corporate Governance Communiqué became applicable to the Bank on December 30, 2012. The CMB further amended the Corporate Governance Communiqué on February 22, 2013 (published in the Official Gazette dated February 22, 2013 No 28567) providing for specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul. There are certain other additional miscellaneous corporate governance requirements under other Turkish law and regulations which it will remain subject to (*i.e.*, those that apply to non-listed companies and banks).

As of the date of this Offering Circular, the Bank is subject to the Corporate Governance Principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. Where the Bank does not comply with any of the non-mandatory principles applicable to it under the Corporate Governance Communiqué, it will explain any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of the Bank's annual report.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalization and the market value of their free-float shares, subject to recalculation on an annual basis. The Bank is classified as a "Tier 1" company.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (a) the composition of the board of directors, (b) appointment of independent board members, (c) board committees, (d) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué and (e) information rights in connection with general assembly meetings.

Listed companies are required to have independent board members, which should constitute one third of the board of directors and should not be fewer than two; *however*, as per the amendment to the Corporate Governance Communiqué dated February 22, 2013, publicly traded banks are required to appoint three independent board members to their board of directors, which directors may be selected from the members of the bank's audit committee; *provided* that at least one member should meet the mandatory qualification required for independent board members as set out in the applicable legislation. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "Tier 1" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee," if any, of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based upon this evaluation for final review by the CMB, which is authorized to issue a "negative view" on any nominee and prevent their appointment as independent members of the board of directors. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party

transactions, transactions concerning the establishment of security (excluding for financial institutions), pledge (excluding for financial institutions) and mortgage (excluding for financial institutions) for third parties and transactions which are deemed “material.” “Material transactions” are described as the lease, transfer or establishment of rights *in rem* (other than establishment of rights *in rem* by financial institutions resulting from their general course of business) over the total or a substantial part of the listed company’s assets, acquire or lease of a material asset, establishing privileges or changes in the scope of current privileges and delisting of the company. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is two thirds majority of the attendees who may vote; *however*, in the event of attendance of shareholders representing not less than one-half of the voting rights, a simple majority of the attendees would be sufficient (unless a larger majority is required pursuant to such company’s articles of association).

The Capital Markets Law authorizes the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to ensure compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict with these principles.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime. See “Risk Factors – Risks Related to Turkey – Combating the Financing of Terrorism.”

Minimum standards and duties under such law and related legislation include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

New Consumer Loan and Provisioning Regulations

On October 8, 2013 the BRSA introduced new regulations that aim to limit the expansion of individual loans (especially credit card installments). The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) increase the risk weight for installment payments of credit cards with a term: (i) between one and six months from 75% to 100%, (ii) between six and twelve months from 150% to 200% and (iii) greater than 12 months from 200% to 250% and (c) increase the minimum monthly payment required to be made by cardholders. Before increasing the limit of credit card, a bank should monitor the income level of the consumer. A bank should not increase the limit of the credit card if the aggregate credit card limit exceeds four times the consumer’s monthly income. In addition, after January 1, 2014, minimum payment ratios for credit card limits up to TL 20,000 will be incrementally increased to ratios deviating between 30% and 40% until January 1, 2015. These new regulations might result in slowing the growth and/or reducing the profitability of the Bank’s credit card business.

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

Group II (Loans and Other Receivables under Close Monitoring) increased from 1% and 2% to 4% and 8%, respectively. See “Business of the Group – Loan Classification and Provisioning Policy.”

The Regulation Amending the Regulation on Bank Cards and Credit Cards, published in the Official Gazette dated October 8, 2013 and numbered 28789 introduced some changes on the limits of the credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income.

Also the following changes regarding minimum payment amounts and credit card usage are within the scope of the amended regulation: (a) minimum payment amounts differentiated for first time card holders in the sector, new card holders, existing card holders and existing cardholders’ second card by customer limits, (b) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (c) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or shopping, and such card will not be available for limit upgrade, until the total amount in the statements is paid.

CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes that (except for the paragraphs in italics) will be endorsed on the definitive Certificates issued in respect of the Notes:

The US\$400,000,000 7.850 *per cent.* Subordinated Notes due 2023 (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 10 December 2013 (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 10 December 2013 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 by the Noteholders during normal business hours at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to any Agent shall include any successor appointed under the Agency Agreement.

Investors in the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant 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 and in integral multiples of US\$1,000 thereafter (referred to as the “*principal amount*” of a Note and each an “*Authorised Denomination*”). A note certificate (each a “*Certificate*”) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which will be kept by the Registrar. The Notes are issued pursuant to the Turkish Commercial Code (No. 6102), the Capital Markets Law (No. 6362) of Turkey and the Communiqué on Debt Instruments (Series: II, No: 31.1) of the Capital Markets Board of Turkey (in Turkish: *Sermaye Piyasası Kurulu*) (the “*CMB*”).

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 in an Authorised Denomination only by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the other Agents.

For a description of certain restrictions on transfers of interests in the Notes, see “Transfer Restrictions.”

2.2 Delivery of new Certificates

Each new Certificate to be issued upon a transfer of the Notes will, within five Business Days of receipt by the Registrar or the relevant other Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, “*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: (a) 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 2006 BRSA Regulation or (b) 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.

“2006 BRSA Regulation” means the BRSA Regulation on the Equity of Banks (published in the Official Gazette dated November 1, 2006, No. 26333, as amended, modified, supplemented or superseded from time to time).

“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 2006 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 2006 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.

“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 (No. 2011/1854 and No. 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 (No. 3065), any stamp tax imposed by the Stamp Tax Law (No. 488) and any withholding tax imposed by, or anti-tax haven regulations under, Article 30.7 of the Corporate Income Tax Law (No. 5520).

“*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 (No. 5411), the Turkish Commercial Code (No. 6102) or the Turkish Execution and Bankruptcy Code (No. 2004).

“*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 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 shall not, and shall not permit any of its Material Subsidiaries to, in any 12 month period: (a) make any payment to, (b) sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, (c) purchase any properties, revenues or assets from, or (d) enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or guarantee (whether related or not) with or for the benefit of, any Affiliate (each, an “*Affiliate Transaction*”) which Affiliate Transaction has (or, when taken together with any other Affiliate Transactions during such 12 month period, in the aggregate have) a value in excess of US\$50,000,000 (or its equivalent in any other currency) unless such Affiliate Transaction (and each such other aggregated Affiliate Transaction) is on terms that are no less favourable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person.

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 (“*BRSAAS*”), together with the financial statements for the preceding financial year, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon; and
- (b) not later than four months after the end of the first six months of each financial year of the Issuer, English language copies of its unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied and BRSAAS, together with the financial statements for the corresponding period of the previous financial year, and all such interim financial statements of the Issuer shall be accompanied by a review report of the auditors thereon.

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) of 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 these Conditions:

“*Affiliate*” means, in respect of any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and, in the case of a natural Person, any immediate family member of such Person. For purposes of this definition, “*control*”, as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise and the terms “*controlling*”, “*controlled by*” and “*under common control with*” shall have corresponding meanings.

“*IFRS*” means the requirements of International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (the “*IASB*”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time).

“*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 the Issuer's next audited consolidated 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 the Issuer's next audited consolidated 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.

"Person" means: (a) any individual, company, unincorporated association, government, state agency, international organisation or other entity and (b) its successors and assigns.

"Subsidiary" means, in relation to any Person, any company: (a) in which such Person holds a majority of the voting rights, (b) of which such Person is a member and has the right to appoint or remove a majority of the board of directors or (c) of which such Person is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of such Person. In relation to the financial statements of the Issuer, a "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 10 December 2013 (the *"Issue Date"*) at the rate (the *"Interest Rate"*) of 7.850 *per cent. per annum* (the *"Original Interest Rate"*), payable semi-annually in arrear on each of 10 June and 10 December in each year (each, an *"Interest Payment Date"*). The first payment (representing a full six months' interest) shall be made on 10 June 2014.

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 8.850 *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 Dollars mailed to the registered address of such Noteholder if it does not have a registered account. Notwithstanding anything else to the contrary, payments of interest due otherwise than on an Interest Payment Date and payments of principal will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the “*record date*”) being the 15th day before the due date for the payment of interest (or, if such 15th day is not a London Business Day, the first London Business Day prior to such 15th day).

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 Dollars, details of which appear on the register of Noteholders at the close of business: (a) in the case of principal, on the second Payment Business Day (as defined in Condition 6.4) before the due date for payment, and (b) in the case of a payment of interest due on an Interest Payment Date, on the relevant record date, and a Noteholder’s registered address means its address appearing on the register of Noteholders at that time.

In this Condition 6.1, “*London 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 London.

6.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to: (a) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof (“FATCA”) or any law implementing an intergovernmental approach to FATCA.

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: (a) 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 (b) by cheque, the cheque will be mailed, on or before the Payment Business Day preceding the due date for payment; *provided* that, with respect to both sub-paragraphs (a) and (b), in the case of a payment of interest due otherwise than on an Interest Payment Date or any payment of principal, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent (*provided* that if such Certificate is surrendered later than 10:00 a.m. (London time) on any Payment Business Day, then such payment may be initiated or mailed (as applicable) on the following Payment Business Day).

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 6.4, “*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) so long as the Notes are listed on the Irish Stock Exchange, there will at all times be an Agent (which may be the Fiscal Agent) having a specified office in such place as may be required by the rules and regulations of the Irish Stock Exchange or any other relevant authority;
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent that is not located in a Member State of the European Union that will oblige that Paying Agent to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

- (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 10 December 2023 (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 6 December 2013, 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 6 December 2013; 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 unpaid 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 unpaid 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: (a) the required confirmation in writing by the BRSA of the occurrence of the relevant Capital Disqualification Event and (b) 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:

“2013 BRSA Regulation” means the BRSA Regulation on the Equity of Banks (published in the Official Gazette dated 5 September 2013, No. 28756, with an effective date of 1 January 2014).

“*Capital Disqualification Event*” means if, as a result of any change in applicable law (including the 2006 BRSA Regulation and the implementation of, and any subsequent changes to, the 2013 BRSA Regulation), or the application or official interpretation thereof (which change or amendment occurs after the Issue Date), as confirmed in writing by the BRSA, the principal amount of the outstanding Notes is fully excluded from inclusion as Tier 2 capital (as provided under Article 5 of the 2006 BRSA Regulation and subject to Temporary Article 4 of the 2013 BRSA Regulation) of the Issuer (save where such exclusion is only as a result of: (a) any applicable limitation on the amount of such capital or (b) such capital ceasing to count towards the Issuer’s capital base through any amortisation or similar process imposed through any grandfathering arrangements in accordance with the 2013 BRSA Regulation as at the Issue Date).

7.4 Purchases / Assignments

Pursuant to Article 8 of the 2006 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 (No. 5411)). The Issuer or any of its Subsidiaries, to the extent permitted by applicable laws and, if so required, 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 for Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or
- (b) presented for payment in the Republic of Turkey; or

- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or
- (e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 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;
- (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: (a) evidence of such loss, theft, mutilation, defacement or destruction, and (b) indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

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 in the sole opinion of the Issuer 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 as a result of their issuance being a “qualified reopening” under U.S. Treasury Regulation §1.1275-2(k).

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 England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to 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 proceedings (together referred to as “*Proceedings*”) arising out of or in connection with the Notes (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions, in each case, to the extent allowed by law.

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 (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, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (No. 6100), any judgment obtained in the courts of England in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (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 such Notes. Terms defined in the Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.

1. ACCOUNTHOLDERS

For so long as any of the Notes are represented by a Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of DTC 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, Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression “*Noteholders*” and references to “*holding of Notes*” or purchase or other acquisition of Notes and to “*holder of Notes*” shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the “*Relevant Nominee*”) in accordance with and subject to the terms of the relevant Global Certificate. Each Accountholder must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. CANCELLATION

Cancellation of any Note following its redemption or purchase by the Issuer or any of its Subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

3. PAYMENTS

Payments of principal in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holder of the relevant Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to Euroclear or Clearstream, Luxembourg, which in turn are expected to distribute such amounts to their participants in accordance with the relevant system’s rules and procedures.

Holders of book-entry interests in the Notes holding through DTC will receive, to the extent received by the Fiscal Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

Payments of principal and interest in respect of the Global Certificates will be made, or procured to be made, by or on behalf of the Issuer for settlement on the relevant payment date in accordance with Condition 6.

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 (together, the “*Clearing Systems*”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank’s management 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 any of the Clearing Systems 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 any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

According to the Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the CRA and the interests therein recorded in the CRA; *however*, upon the Bank’s request, the CMB may resolve to exempt the Notes from this requirement if the Notes are to be issued outside of Turkey. The Bank submitted an exemption request through its letter to the CMB dated July 1, 2013 numbered 1754 and such exemption was granted by the CMB in its letter to the Bank dated July 30, 2013 numbered 29833736-105.03.01-2414. As a result, this requirement will not be applicable to the Notes. Notwithstanding such exemption, the Bank is required to notify the CRA within three Turkish business days from the Issue Date of the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

Book-entry Systems

DTC

DTC has advised the Issuer 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 its direct participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by NYSE Euronext and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*” and, together with Direct Participants, “*Participants*”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “*DTC Rules*”), DTC makes book-entry transfers of notes among Direct Participants on whose behalf it acts with respect to notes accepted into DTC’s book-entry settlement system (“*DTC Notes*”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the SEC. Participants with which beneficial owners of 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 Participants will not possess Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct 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 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 Participant’s and Indirect 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 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 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 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 Participants to whose accounts such DTC Notes are credited, which may or may not be the DTC Beneficial Owners. The 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 Participants, by Direct Participants to Indirect Participants, and by Participants to 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 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 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 accounts of Direct Participants' on the applicable payment date in accordance with their respective holdings as shown in the records of DTC, subject to the receipt of funds and corresponding detail information from the Issuer or the relevant Paying Agent. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, 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 Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants.

Under certain circumstances, DTC will exchange the DTC Notes for definitive Notes, which it will distribute to its Direct Participants in accordance with their requests and proportionate entitlements and will be legended as described under "Transfer Restrictions."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect 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 U.S. 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 through Clearstream, Luxembourg to pledge such interest to persons or entities that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of the Notes through the Clearstream, Luxembourg system will receive distributions of principal, interest, additional amounts (if any) and any other payments on the Notes only through Clearstream, Luxembourg accountholders.

Distributions with respect to interests in the Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg accountholders in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established 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 accountholders in Euroclear.

The ability of an owner of a beneficial interest in a Note held through Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of the Notes through the Euroclear system will receive distributions of principal, interest, additional amounts (if any) and any other payments on the Notes only through Euroclear accountholders.

Distributions with respect to the Notes held beneficially through Euroclear will be credited to cash accounts of Euroclear accountholders in accordance with its rules and procedures, to the extent received by Euroclear.

Book-entry ownership of and payments in respect of Notes represented by the Global Certificates

The Bank has applied to each of Euroclear and Clearstream, Luxembourg to have Regulation S Notes represented by the Regulation S Certificate accepted in its book-entry settlement system. Upon the issue of the Regulation S Certificate, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by the Regulation S Certificate to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the relevant Initial Purchaser. Ownership of beneficial interests in the Regulation S Certificate will be limited to direct or indirect participants of Euroclear and/or Clearstream, Luxembourg, as applicable. Ownership of beneficial interests in the Regulation S Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of direct Euroclear and/or Clearstream, Luxembourg accountholders) and the records of direct Euroclear and/or Clearstream, Luxembourg accountholders (with respect to interests of indirect Euroclear and/or Clearstream, Luxembourg accountholders).

The Bank has applied to DTC to have Rule 144A Notes represented by the Rule 144A Certificate(s) accepted in its book-entry settlement system. Upon the issue of any such Rule 144A Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Rule 144A Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Initial Purchaser. Ownership of beneficial interests in a Rule 144A Certificate will be limited to Participants and 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 Participants) and the records of Direct Participants and Indirect Participants (with respect to Indirect Participants).

Payments in U.S. 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 accountholders on the applicable payment date. The Bank also expects that payments by direct DTC, Clearstream, Luxembourg or Euroclear accountholders to indirect participants in such Clearing Systems will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers of such Clearing System, and will be the responsibility of such 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 a Clearing System (or its nominee) are the responsibility of the Bank.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Global Certificate within DTC, Clearstream, Luxembourg or Euroclear, as applicable, will be effected in accordance with applicable law and in accordance with the relevant clearing system's rules and procedures. Because each of DTC, Clearstream, Luxembourg and Euroclear can only act on behalf of accountholders in its system who in turn act on behalf of indirect participants, the ability of a person having an interest in Notes represented by a Global Certificate to pledge such interest to persons or entities that do not participate in such clearing system or to otherwise take action in respect of such interest may be limited. The ability of any holder of an interest in Notes represented by a Global Certificate to resell, pledge or otherwise transfer such interest may be impaired if the proposed transferee of such interest is not eligible to hold such interest through a direct or indirect participant in the applicable clearing system. Subject to compliance with the transfer restrictions applicable to the Notes described under "Transfer Restrictions," cross-market transfers between DTC Participants, on the one hand, and Clearstream, 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).

Cross-market transfers between account holders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg account holders and DTC Participants cannot be made on a delivery-versus-payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

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 and 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 Treasury Department 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 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 Note that is not “qualified stated interest,” 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, if any, accrued with respect to the Notes, 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 stated 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 original issue discount included in the US Holder’s income with respect to the Note and the amount, if any, of income attributable to *de minimis* original issue discount included in the US Holder’s income with respect to the Note. Any 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. US Holders should consult their tax advisers regarding the effect, if any, of this new legislation on their investment in the Notes.

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

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

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

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

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

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 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 corporations is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the maturity of notes issued abroad as follows:

- 10% withholding tax for notes with a maturity of less than one year,
- 7% withholding tax for notes with a maturity of at least one year and less than three years,
- 3% withholding tax for notes with a maturity of at least three years and less than five years, and
- 0% withholding tax for notes with a maturity of five years and more.

Such withholding tax is the final tax for a non-resident person and no further declaration is required.

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 Temporary Article 67 of the Turkish Income Tax Law, as amended by law number 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on the non-resident persons on capital gains from such 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% (inclusive) in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of which the holder of the notes is an income tax resident (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term “beneficial owner” is used) that provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the relevant jurisdiction where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant jurisdiction on the basis of resident taxpayer status, as a resident of the relevant jurisdiction to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, refunding of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the Taxation of Savings Income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other

member state; *however*, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from January 1, 2015 in favor of automatic information exchange under the Directive.

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

The Proposed Financial Transactions Tax

The European Commission has published a proposal for a Directive for a common financial transactions tax (“*FTT*”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating member states).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes is, however, expected to be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating member states. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, “established” in a participating member state in a broad range of circumstances, including: (a) by transacting with a person established in a participating member state or (b) where the financial instrument which is subject to the dealings is issued in a participating member state.

The FTT proposal remains subject to negotiation between the participating member states and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate. Prospective investors in the Notes are advised to seek their own professional advice in relation to the FTT.

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 a beneficial interest 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 in respect of the Notes dated 6 December 2013 among the Initial Purchasers and the Bank (the “*Subscription Agreement*”), each of the Initial Purchasers has severally (and not jointly and severally) agreed to purchase, and the Bank has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser’s name below.

<i>Initial Purchasers</i>	<i>Principal Amount of Notes</i>
BNP Paribas.....	US\$80,000,000
Commerzbank Aktiengesellschaft	US\$80,000,000
J.P. Morgan Securities plc	US\$80,000,000
Morgan Stanley & Co. International plc	US\$80,000,000
Standard Chartered Bank	US\$80,000,000
Total	US\$400,000,000

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 in offshore transactions 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.

Each Initial Purchaser has agreed that it will send to each dealer to which it sells Notes (or beneficial interests therein) (other than a sale pursuant to Rule 144A) during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes (or beneficial interests therein) within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

“The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “*Securities Act*”), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act): (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meanings given to them by Regulation S of the Securities Act.”

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. An application has been made to the Irish Stock Exchange to admit the Notes to listing on the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted. 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 secondary market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment 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, then they may discontinue them at any time.

The Bank expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date specified on the cover page of this Offering Circular, which will be the fifth Business Day following the date of this Offering Circular (this settlement cycle being referred to as “T+5”). 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+5, 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 effect on the future trading prices of the Notes offered hereby.

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

The Bank has agreed to indemnify each Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of those liabilities.

SELLING RESTRICTIONS

NOTICE TO RESIDENTS OF TURKEY

THE BANK HAS OBTAINED THE CMB APPROVAL AND THE BRSA APPROVAL. IN ADDITION, A TRANCHE ISSUANCE CERTIFICATE (*tertip ihraç belgesi*) FROM THE CMB IN RESPECT OF THE NOTES IS ALSO REQUIRED TO BE OBTAINED BY THE BANK PRIOR TO THE ISSUE DATE OF THE NOTES. PURSUANT TO THE CMB APPROVAL AND THE BRSA APPROVAL, THE OFFER, SALE AND ISSUE OF THE NOTES HAS BEEN AUTHORIZED AND APPROVED IN ACCORDANCE WITH DECREE 32, THE BANKING LAW NUMBERED 5411 AND ITS RELATED LEGISLATION, THE CAPITAL MARKETS LAW NUMBERED 6362 AND THE COMMUNIQUE ON DEBT INSTRUMENTS OR ITS RELATED REGULATION. IN ADDITION, THE NOTES (OR BENEFICIAL INTERESTS THEREIN) MAY ONLY BE OFFERED OR SOLD OUTSIDE OF TURKEY IN ACCORDANCE WITH THE CMB APPROVAL AND THE BRSA APPROVAL. UNDER THE CMB APPROVAL, THE CMB HAS AUTHORIZED THE OFFERING, SALE AND ISSUE OF THE NOTES ON THE CONDITION THAT NO SALE OR OFFERING OF NOTES (OR BENEFICIAL INTERESTS THEREIN) MAY BE MADE BY WAY OF PUBLIC OFFERING OR PRIVATE PLACEMENT IN TURKEY. NOTWITHSTANDING THE FOREGOING, PURSUANT TO THE BRSA DECISION DATED MAY 6, 2010 NO. 3665 AND IN ACCORDANCE WITH DECREE 32, RESIDENTS OF TURKEY MAY PURCHASE OR SELL THE NOTES OFFSHORE ON AN UNSOLICITED (REVERSE INQUIRY) BASIS IN THE SECONDARY MARKETS ONLY. FURTHER, PURSUANT TO ARTICLE 15(D)(II) OF DECREE 32, TURKISH RESIDENTS MAY PURCHASE OR SELL NOTES (OR BENEFICIAL INTERESTS THEREIN) OFFSHORE ON AN UNSOLICITED (REVERSE INQUIRY) BASIS IN THE SECONDARY MARKETS ONLY; *PROVIDED* THAT SUCH PURCHASE OR SALE IS MADE THROUGH BANKS OR LICENSED BROKERAGE INSTITUTIONS AUTHORIZED PURSUANT TO THE CMB REGULATIONS AND THE PURCHASE PRICE IS TRANSFERRED THROUGH BANKS. AS SUCH, TURKISH RESIDENTS SHOULD USE BANKS OR LICENSED BROKERAGE INSTITUTIONS WHILE PURCHASING THE NOTES (OR BENEFICIAL INTERESTS THEREIN) AND TRANSFER THE PURCHASE PRICE THROUGH BANKS. MONIES PAID FOR PURCHASES OF NOTES ARE NOT PROTECTED BY THE INSURANCE COVERAGE PROVIDED BY THE SDIF.

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 THE UNITED STATES

As noted on the cover hereof, the Notes have not been and will not be registered under the Securities Act or the securities or “blue sky” laws of any state of the United States. As a consequence, the Notes (or beneficial interests therein) may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in

Regulation S) except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act. The Subscription Agreement provides that each Initial Purchaser may, directly and/or through its U.S. broker dealer affiliate, arrange for the offer and resale of Notes (or beneficial interests therein) within the United States or to, or for the account or benefit of, U.S. persons only to QIBs in reliance on Rule 144A. See also “Transfer Restrictions” and “Plan of Distribution.”

NOTICE TO RESIDENTS OF SWITZERLAND

The Notes may only be offered for sale or otherwise in or into Switzerland in compliance with all applicable laws and regulations in force in Switzerland. Only this Offering Circular and any supplement hereto (including all information and documents incorporated by reference herein and in any supplement to this Offering Circular) may be used in the context of a public offer of the Notes in or into 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.

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.

EACH INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT WILL NOT SELL, NEITHER ITSELF NOR TOGETHER WITH THE OTHER INITIAL PURCHASERS, 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 the Notes in secondary markets; *provided* that they purchase or sell such Notes (or beneficial interests) in the financial markets outside of Turkey, such sale and purchase is made through banks and/or licensed brokerage institutions authorized pursuant to CMB regulations and the purchase price is transferred through banks.

The 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 in offshore transactions 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 from the registration requirements thereof or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (d) below.
- (b) Such investor is not an “affiliate” (as defined in Rule 144 under the Securities Act) of the Bank and is not acting on the Bank’s behalf, and such investor is either: (i) a QIB and is aware that any sale of 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 investing in 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 (or a beneficial interest therein) 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 WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS 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) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYER(S), (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 OR ANY AFFILIATE THEREOF, (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. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN). THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER HEREOF AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERM "OFFSHORE TRANSACTION" HAS THE MEANING GIVEN TO IT BY REGULATION S UNDER THE SECURITIES ACT.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A US GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US 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 THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A US GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

- (f) If such investor purchases the Notes (or any beneficial interest therein), then it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

- (g) 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.
- (h) Such investor acknowledges that:
 - (i) the Bank, the Initial Purchasers and others will rely upon the truth and accuracy of such investor's acknowledgements, representations and agreements set forth herein and such investor agrees (or will be deemed to agree) that if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, such investor will notify the Bank and the Initial Purchasers promptly in writing, and
 - (ii) if such investor is acquiring any 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.
- (i) 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.
- (j) Such investor understands that no action has been taken in any jurisdiction (including the United States) by the Bank or the Initial Purchasers that would permit a public offering of the 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."
- (k) 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 YazıcıLegal as to matters of Turkish law (other than with respect to tax-related matters). Certain matters as to English and United States law will be passed upon for the Initial Purchasers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Initial Purchasers by Paksoy Ortak Avukat Bürosu (which will also pass upon matters of Turkish tax law).

OTHER GENERAL INFORMATION

Authorization

The issuance and sale of the Notes by the Bank and the execution and delivery by the Bank of the transaction documents have been authorized pursuant to the authority of the officers of the Bank under a resolution of its Board of Directors dated November 5, 2013.

Listing

An application has been made to the Irish Stock Exchange to admit the Notes to listing on the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and trading on the Main Securities Market will be granted on or before the Issue Date, subject only to the issue of the Notes. The expenses in connection with the admission of the Notes to the Official List and to trading on the Main Securities Market are expected to amount to approximately €3,190.

Listing Agent

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

Clearing Systems

The Rule 144A Certificates have been accepted into DTC's book-entry settlement system and the Regulation S Certificate has been accepted into the applicable systems used by Euroclear and Clearstream, Luxembourg (CUSIP number 900151AF8, ISIN code US900151AF84 and Common Code number 100307618 with respect to the Rule 144A Notes, and ISIN code XS1003016018 and Common Code number 100301601 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 September 30, 2013, 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, 2012.

Interests of Natural and Legal Persons Involved in the Issue

Except as noted in the first three paragraphs of "Plan of Distribution," no natural or legal person involved in the issue of the Notes has an interest, including a conflicting interest, that is material to the issue of the Notes.

Independent Auditors

The BRSA Financial Statements as of and for the years ended December 31, 2010, 2011 and 2012 have been audited in accordance with the "Regulation Regarding the Authorization and Activities of Incorporations that will Perform Independent Audits at Banks" published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing by KPMG, which is located at Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No 3, 34805 Beykoz,

İstanbul, Turkey. The IFRS Financial Statements as of and for the years ended December 31, 2010, 2011 and 2012 have been audited in accordance with the International Standards on Auditing by KPMG. KPMG is an independent certified public accountant in Turkey and authorized by the BRSA to conduct independent audits of banks in Turkey. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Audit Qualification.”

The BRSA Interim Financial Statements as of and for the nine month period ended September 30, 2013 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 nine month period ended September 30, 2013 (with the nine months ended September 30, 2012 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 and unconsolidated annual and unaudited consolidated and unconsolidated quarterly and semi-annual interim BRSA 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, 2011 and 2012 and the nine month period ended September 30, 2013, and copies of the transaction documents referred to herein (including the forms of the Notes) will be available for inspection, for the life of the Offering Circular, at the offices of the Bank and the Fiscal Agent.

Copies of this Offering Circular, the constitutional documents of the Bank, the Bank’s and the Group’s financial statements for the latest two years and (after the Issue Date) the Deed of Covenant and the Agency Agreement will be available in physical form for inspection, for the life of this Offering Circular, at the Bank’s headquarters at İş Kuleleri, 34330 Levent, İstanbul, Turkey, with such financial statements also being available on the Bank’s website at http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_bank-only-406-401.aspx (with respect to the Bank’s BRSA Financial Statements), http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/TAS_consolidated-407-401.aspx (with respect to the Group’s BRSA Financial Statements) and http://www.isbank.com.tr/English/content/EN/Investor_Relations/Publications_and_Results/Financial_Statements/IFRS_fully_consolidated-405-401.aspx (with respect to IFRS Financial Statements) (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Offering Circular). The telephone number for the Bank’s headquarters is +90 212 316 1602.

Material Contracts

The Bank has not entered into any material contract outside the ordinary course of its business that could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes

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OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

Certain of the financial statements and financial information included in this Offering Circular have been prepared in accordance with Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the statements, communiqués and guidance published by the BRSA on accounting and financial reporting principles (*i.e.*, the BRSA Principles). Although the TFRS is almost an exact translation of IFRS, the BRSA Principles, statements, communiqués and guidance differ from IFRS in some instances. Such differences primarily relate to presentation of financial statements, disclosure requirements and accounting policies. The following paragraphs summarize major areas in which the BRSA Principles and IFRS differ from each other.

Consolidation

Consolidation principles under the BRSA Principles and IFRS are based upon the concept of the power to control in determining whether a parent/subsidiary relationship exists and that consolidation is appropriate. Control is typically exhibited where an entity has the majority of the voting rights.

Under the BRSA Principles, only subsidiaries and associates operating in the financial services sector are required to be consolidated with a bank; the rest are carried at cost or at fair value. IFRS does not make such a sectoral distinction in terms of consolidation.

Allowance for Loan Losses

Under the BRSA Principles, specific and general reserves for possible loan losses are provided for in accordance with the Regulation on Provisions and Classification of Loans and Receivables issued by the BRSA. All loans are grouped into five categories mainly depending upon their past due status and creditworthiness of the borrower. The BRSA Principles have prescribed certain minimum provisioning rates for groups comprising non-performing loans after taking into account collateral (specific provision) and a separate rate for groups comprising performing loans (general provision - the general provision rate is specified by BRSA and applied consistently across the Turkish banking sector).

While the Bank’s policy was historically to provide fully (at a rate of 100%) for its non-performing loan portfolio, since the third quarter of the 2012 the Bank has allocated specific provisions in accordance with the minimum provision rates required by regulation; *it being understood* that such legal requirements impose minimum provisions depending upon the category of the non-performing loan, including special provisions in the amounts of at least 20%, 50% and 100%, respectively, being required to be set aside for loans and receivables in Groups III, IV and V (see “Turkish Regulatory Environment – Loan Loss Reserves”). As of December 31, 2012, 13.2%, 21.2% and 65.6% (as of September 30, 2013: 12.5%, 21.9% and 65.6%) of the Bank’s non-performing loan portfolio was categorized in Groups III, IV and V, respectively.

Under IFRS, for loans that have been identified as impaired, the amount of the impairment loss is measured as the difference between the loan’s carrying amount and the present value of expected future cash flows discounted at the loan’s original effective interest rate. IFRS requires a form of individual assessment for loans that are individually significant and a collective assessment for loans that form part of a group of loans with similar credit characteristics.

Deferred Tax

In accordance with IFRS, deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. On the other hand, under the BRSA Principles, it is not permitted to recognize deferred tax on a general provision allocated based upon BRSA rules although it constitutes a temporary difference based upon IAS 12 Income Taxes. Besides, under IFRS, it shall be calculated deferred tax base for the difference between allowances for loan losses calculated based upon the BRSA Principles and IFRS.

Presentation of Financial Statements

Although presentation of the financial statements under both the BRSA Principles and IFRS are similar to each other, there are still differences (*e.g.*, IFRS 7). BRSA financial statements are presented under a special format determined by the BRSA. Similarly, both cash flow and comprehensive income statements are presented using this specified format.

There are other similar differences in the accounting policies and disclosure requirements applied to subsidiaries and associates that are subject to consolidation. These differences vary based upon the sector that the related associate or subsidiary operates in, especially those providing life and non-life insurance services, which are subject to the undersecretariat of Treasury policies/requirements, and factoring and leasing services, which are subject to specific BRSA policies/requirements.

APPENDIX B

BRSA FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011 AND 2012 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2013

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 nine months ended September 30, 2013, 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, 2011 and 2012, together with the audit reports thereon.

Comparative information with respect to the BRSA consolidated financial statements of the Group and the BRSA unconsolidated financial statements of the Bank for the nine month period ended September 30, 2012 and the fiscal year ended December 31, 2010 is included in the corresponding BRSA Financial Statements for the nine month period ended September 30, 2013 and the year ended December 31, 2011, respectively.

APPENDIX B1

**UNAUDITED BRSA FINANCIAL STATEMENTS OF THE GROUP FOR THE NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2013 (INCLUDING COMPARATIVE 2012)**



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



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

Kavacık Rüzgarlı, Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34605 İstanbul

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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)

INDEPENDENT AUDITORS' REVIEW REPORT

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 September 2013 and the consolidated statements of income, cash flows and changes in shareholders' equity for the nine-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 auditing 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 financial statements as at 30 September 2013 include a general provision amounting TL 1,000,000 thousands, which had been recognized as expense in the prior periods, 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 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 financial statements are not presented fairly, the financial position of Türkiye İş Bankası Anonim Şirketi and its financial subsidiaries as at 30 September 2013, and the results of its operations and its cash flows for the nine-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 communications, 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
7 November 2013

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi


Murat ALSAN
Partner, SMAM

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.

Türkiye İş Bankası Anonim Şirketi

Consolidated Interim Financial Statements As at and For the Nine-month Period Ended 30 September 2013

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
7 November 2013

*This report includes "Independent Auditors' Review
Report" comprising 1 page and; "Consolidated
Interim Financial Statements and Related Disclosures
and Footnotes" comprising 81 pages.*

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ
THE CONSOLIDATED INTERIM FINANCIAL REPORT
AS AT AND FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2013

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 nine-month period ended 30 September 2013 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

Associates, subsidiaries and special Purpose Entities 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.	
IS INVESTMENT GULF LTD.	
İŞ B TİPİ YATIRIM ORTAKLIĞI A.Ş.	
İŞ FAKTORİNG 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.	
İŞBANK AG	
MAXIS SECURITIES LTD.	
MİLLİ REASÜRANS T.A.Ş.	
TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
TÜRKİYE SİNAI KALKINMA BANKASI A.Ş.	
YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.	
Special Purpose Entities	
TİB CARD RECEIVABLES FUNDING COMPANY LIMITED	
TİB DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	

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

Ali Tolga Ünal
 Head of Financial Management Division

Mahmut Magemizoğlu
 Deputy Chief Executive
 In Charge of Financial Reporting

Adnan Bali
 Chief Executive Officer

The authorized contact person for questions on this consolidated financial report:

Name – Surname / Title: Süleyman H. Özcan / Head of Investor Relations Division
 Phone No : +90 212 316 16 02
 Fax No : +90 212 316 08 40
 E-mail : Suleyman.Ozcan@isbank.com.tr
investorrelations@isbank.com.tr
 Website : www.isbank.com.tr

	General Information
I.	Explanations on the Establishment Date and Initial Status of the Parent Bank
II.	Explanations on the Capital Structure, Shareholders who Directly or Indirectly Own the Parent Bank, any Changes in the Period, and Information on the Parent Bank
III.	Explanations on the Chairman’s, Directors’, Auditors’, Chief Executive Officer’s Responsibility at the Bank
IV.	Information on the Parent Bank’s Qualified Shareholders
V.	Summary Information on the Parent Bank’s Functions and Business Lines
VI.	Differences between the Communiqué on Preparation of Consolidated Financial Statements and the Parent Bank’s Consolidated Financial Statements
VII.	Explanation about the Institutions Subject to Line-By-Line Method or Proportionate Method or not Included in These Three Methods
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XIX.	Contingent Assets
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V.	Disclosures and Footnotes on the Group’s Risk Group
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I.	Information on the Independent Auditors’ Review Report
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TÜRKİYE İŞ BANKASI A.Ş.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013
(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

As at 30 September 2013, 40.16% 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 31.75% are on free float. (Central Registry Agency data as of 31 December 2012: Fund 40.73%, Republican People’s Party 28.09%, free float 31.18%).

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:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Füsun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee, TRNC Internal Systems Committee and the Risk Committee, Member of the Credit Committee, Chairman of the Corporate Governance 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 and Member of the Corporate Governance 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 Kıcaloğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility Committee, Alternate Member of the Credit Committee
Hüseyin Yalçın	Director
Murat Vulkan	Director

TÜRKİYE İŞ BANKASI A.Ş.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Areas of Responsibility
Adnan Bali	Chief Executive Officer and Director, Chairman of the Executive Committee
Mahmut Magemizoğlu	Financial Management, Investor Relations, Corporate and Commercial Banking Marketing and Branches
Suat İnce	Alternative Distribution Channels Operations
Hakan Aran	Legal Counsellorship, Financial Analysis, Management
Aydın Süha Önder	Basic Banking Operations, Retail Loan and Commercial Loan Operations, Internal Control and Network Development
Levent Korba	Corporate Loans, SME Loans, Commercial Bank Member of the Risk Committee
Ertuğrul Bozgedik	Consumer Loans, Card Payment Systems, Marketing and Sale Management, Member of the Risk Committee
Yalçın Sezen	Human Resources, Enterprise Architecture, Management, Coordination of Consumer Relations
Rıza İhsan Kutlusoy	Treasury Management, Corporate Communication
Senar Akkuş	Associates, Cross-Border Banking and Finance Management and Member of Risk Committee
İlhami Koç	Economic Research, International Financial Relations
Yılmaz Ertürk	

¹⁾ İlhami Koç, participate in the meetings of the Risk Committee on a consolidated basis.

The Parent Bank’s shares attributable to the Directors and the Deputy Chief Executives are of minor importance

IV. Information on the Parent Bank’s Qualified Shareholders

Name Surname/Company
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members’ Supplementary Pension Fund)
Cumhuriyet Halk Partisi – Republican People’s Party (Atatürk’s Shares)

V. Summary Information on the Parent Bank’s Financial Statements

In line with the relevant legislation and principles stated in the Consolidated Interim Financial Statements of Banks, the Bank’s activities include operating in retail, commercial, corporate and investment banking, securities operations, international banking, leasing, factoring, insurance, and other financial and industrial activities, initiating or participating in all kinds of financial and industrial activities.

VI. Differences between the Communiqué on Preparation and Turkish Accounting Standards and Explanation about Proportional Consolidation and Institutions which are Excluded from Consolidation Methods

Bank’s are obligated to prepare consolidated financial statements in accordance with the BRSA regulations. As of current there are no legal restrictions on a consolidated basis based on the “Statements of Banks” by applying Turkish Accounting Standards and the consolidation operations that is based on the Consolidated Interim Financial Statements of Banks. The financial statement includes the subsidiaries of the Bank which are excluded in the scope of the consolidation.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

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

The information about the organizations in the scope of the consolidation:

The Parent Bank and its subsidiaries;

- ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
- ANADOLU HAYAT EMEKLİLİK A.Ş.
- CAMİŞ MENKUL DEĞERLER A.Ş.
- CJSC İŞBANK
- EFES VARLIK YÖNETİM A.Ş.
- IS INVESTMENT GULF LTD.
- İŞ B TİPİ YATIRIM ORTAKLIĞI A.Ş.
- İŞ FAKTORİNG A.Ş.
- İŞ FİNANSAL KİRALAMA A.Ş.
- İŞ GAYİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.
- İŞ PORTFÖY YÖNETİMİ A.Ş.
- İŞ YATIRIM MENKUL DEĞERLER A.Ş.
- İŞBANK AG
- MAXIS SECURITIES LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
- YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.

and Special Purpose Entities,

- TIB Diversified Payment Rights Finance Company
- TIB Card Receivables Funding Company Limited

are fully consolidated,

Its associate;

- ARAP-TÜRK BANKASI A.Ş.

is accounted under equity accounting method.

Consolidated companies are active in the areas of banking, insurance and reinsurance, private pensions, finance leasing, factoring, real estate investment, brokerage, investment consulting, portfolio and asset management. Those companies are explained below.

Anadolu Anonim Türk Sigorta Şirketi

The Company was established in 1925 and operates in almost all non-life insurance. The headquarter of the Company is in Istanbul. The Company's shares are traded in the Borsa Istanbul A.Ş.

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 24 private pension funds founded by the company. The company's shares are traded in the Borsa Istanbul A.Ş.

Camis Menkul Değerler A.Ş.

Founded in 1984, the Company operates in the capital market as a brokerage house.

CJSC İşbank

The Bank, which was founded in 1998 and headquartered in Moscow, has also branches in Volga, Saint-Petersburg and Novosibirsk. The Bank gives banking services in the Russian Federation, which mainly consists of deposit, loan and brokerage operations.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

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

Efes Varlık Yönetim A.Ş.

The field of activity of the company, which was founded in 2000, is the management of the assets of the company and other assets of deposit banks, participation banks and other banks in Istanbul.

Is Investment Gulf Ltd.

The purpose of the Company, which was founded in Dubai in 2000, is to provide investment services in the region.

İş B Tipi Yatırım Ortaklığı A.Ş.

The field of activity of the Company, which was founded in 2000, is to provide investment services in the capital market. The Company's shares are traded in the Borsa Istanbul A.Ş. since 2000. The Company's shares are traded in the Borsa Istanbul A.Ş. and as at May 2013 the Company's shares are traded in the Borsa Istanbul A.Ş.

İş Faktoring A.Ş.

The field of operation of the Company, which operates in the capital market, is factoring operations. The Company's headquarter is in Istanbul. The Company's shares are traded in the Borsa Istanbul A.Ş. and as at May 2013 the Company's shares are traded in the Borsa Istanbul A.Ş.

İş Finansal Kiralama A.Ş.

The Company, whose field of activity is financial leasing and factoring, is active in the capital market. The headquarter of the Company is in Istanbul. The Company's shares are traded in the Borsa Istanbul A.Ş.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

The Company whose main field of activity is investing in real estate projects and capital market instruments is conducting its business in the capital market since 1999. The Company's shares are traded in the Borsa Istanbul A.Ş.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Having started its venture capital business in the year 2000, the Company is active in the capital market and communication systems, producing and commerce of other services and restaurant management. The company's shares are traded in the Borsa Istanbul A.Ş.

İş Portföy Yönetimi A.Ş.

The purpose of the Company, which was founded in 2000, is to provide investment services in the capital market. The Company's shares are traded in the Borsa Istanbul A.Ş. and as at May 2013 the Company's shares are traded in the Borsa Istanbul A.Ş.

İş Yatırım Menkul Değerler A.Ş.

The Company's main field of activity is composed of investment services in the capital market. The Company's shares are traded in the Borsa Istanbul A.Ş.

İşbank AG

İşbank AG was founded to carry out the banking transactions in the capital market. The Company has branches in Germany, 1 branch in the Netherlands, 1 branch in Bulgaria.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

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 Borsa İstanbul A.Ş. since April 2010.

Türkiye Sınai Kalkınma Bankası A.Ş.

Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) which is an industrial development and an investment bank is founded especially to support private sector investments in industry and to provide domestic and foreign capital to Turkish companies. The Bank's shares are traded in the Borsa İstanbul A.Ş..

Yatırım Finansman Menkul Değerler A.Ş.

The Company, which was founded in İstanbul in 1976, has merged with TSKB Menkul Değerler A.Ş. The purpose of the Company is to engage in capital market operations stated in its articles of association.

VII. Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Parent Bank and its Subsidiaries or the Reimbursement of Liabilities

None.

VIII. Written Policies on Assessment of Ensuring Compliance on Market Discipline, Disclosure Obligations, Frequency and Accuracy of the Related Disclosures

The Parent Bank has written policies on assessment of ensuring compliance on market discipline, disclosure obligations, frequency and accuracy of related disclosures. The mentioned policy which is agreed by Board of Directors' minutes decision numbered 35386 and dated on 29 April 2009, can be obtained from the Parent Bank's web site.

TÜRKİYE İŞ BANKASI A.Ş.

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

SECTION TWO: CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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
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
13.1	Fair Value Hedges
13.2	Cash Flow Hedges
13.3	Net Foreign Investment Hedges
XIV.	TANGIBLE ASSETS (Net)
XV.	INTANGIBLE ASSETS (Net)
15.1	Goodwill
15.2	Other
XVI.	INVESTMENT PROPERTY (Net)
XVII.	TAX ASSETS
17.1	Current Tax Asset
17.2	Deferred Tax Asset
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)
18.1	Held for Sale
18.2	Discontinued Operations
XIX.	OTHER ASSETS
	TOTAL ASSETS

TÜRKİYE İŞ BANKASI A.Ş.*(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 (30/09/2013)			PRIOR PERIOD (31/12/2012)		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-a	69,742,097	50,950,223	120,692,320	63,574,673	42,436,187	106,010,860
1.1	Deposits from the Bank's Risk Group		845,402	1,501,588	2,346,990	697,009	1,594,374	2,291,383
1.2	Other		68,896,695	49,448,635	118,345,330	62,877,664	40,841,813	103,719,477
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-b	476,649	350,870	827,519	393,716	366,724	760,440
III.	FUNDS BORROWED	V-II-c	2,857,338	20,704,544	23,561,882	1,846,350	17,226,437	19,072,787
IV.	MONEY MARKET FUNDS		18,624,178	4,149,410	22,773,588	13,673,648	3,357,183	17,030,831
4.1	Interbank Money Market Funds		-	-	-	-	19,458	19,458
4.2	Istanbul Stock Exchange Money Market Funds		2,110,787	-	2,110,787	2,180,946	-	2,180,946
4.3	Funds Provided Under Repurchase Agreements		16,513,391	4,149,410	20,662,801	11,492,702	3,337,725	14,830,427
V.	DEBT SECURITIES ISSUED (Net)	V-II-d	5,349,955	3,725,289	9,075,244	4,678,374	1,797,989	6,476,363
5.1	Bills		4,057,407	-	4,057,407	3,487,256	-	3,487,256
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		1,292,548	3,725,289	5,017,837	1,191,118	1,797,989	2,989,107
VI.	FUNDS		884	2,545	3,429	1,909	7,836	9,745
6.1	Borrower Funds		884	2,545	3,429	1,909	7,836	9,745
6.2	Other		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		10,521,320	842,801	11,364,121	8,590,411	594,067	9,184,478
VIII.	OTHER LIABILITIES	V-II-e	2,244,910	4,093,067	6,337,977	1,973,307	2,911,687	4,884,994
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	V-II-f	-	-	-	-	-	-
10.1	Finance Lease Payables		-	-	-	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-g	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XII.	PROVISIONS	V-II-h	10,130,777	816,513	10,947,290	9,746,437	513,620	10,260,057
12.1	General Loan Loss Provision		2,203,587	26,606	2,230,193	1,697,391	7,762	1,705,153
12.2	Provision for Restructuring		-	-	-	-	-	-
12.3	Reserves for Employee Benefits		456,394	1,784	458,178	405,404	1,287	406,691
12.4	Insurance Technical Reserves (Net)		4,015,887	768,111	4,783,998	4,165,394	486,019	4,651,413
12.5	Other Provisions		3,454,909	20,012	3,474,921	3,478,248	18,552	3,496,800
XIII.	TAX LIABILITY	V-II-i	343,231	2,930	346,161	624,437	7,416	631,853
13.1	Current Tax Liability		339,183	1,976	341,159	618,004	6,579	624,583
13.2	Deferred Tax Liability		4,048	954	5,002	6,433	837	7,270
XIV.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS		-	2,143,750	2,143,750	-	1,893,576	1,893,576
XVI.	SHAREHOLDERS' EQUITY	V-II-j	25,279,268	157,675	25,436,943	24,259,134	599,621	24,858,755
16.1	Paid-in Capital		4,500,000	-	4,500,000	4,500,000	-	4,500,000
16.2	Capital Reserves		2,692,860	53,099	2,745,959	3,787,286	474,466	4,261,752
16.2.1	Share premium		33,940	-	33,940	33,940	-	33,940
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Value Increase Fund		1,044,161	53,099	1,097,260	2,138,587	474,466	2,613,053
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		13,103,624	123,750	13,227,374	10,334,091	68,583	10,402,674
16.3.1	Legal Reserves		2,286,040	-	2,286,040	2,031,309	-	2,031,309
16.3.2	Statutory Reserves		59,539	-	59,539	48,553	-	48,553
16.3.3	Extraordinary Reserves		10,792,830	20,360	10,813,190	8,309,493	9,497	8,318,990
16.3.4	Other Profit Reserves		(34,785)	103,390	68,605	(55,264)	59,086	3,822
16.4	Profit or Loss		1,938,039	(32,855)	1,905,184	2,784,682	17,830	2,802,512
16.4.1	Prior Years' Profit/Loss		(62,176)	6,967	(614,759)	(613,983)	4,473	(609,510)
16.4.2	Current Period Profit/Loss		2,559,765	(39,822)	2,519,943	3,398,665	13,357	3,412,022
16.5	Non-controlling Interest	V-II-k	3,044,745	13,681	3,058,426	2,853,075	38,742	2,891,817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			145,570,607	87,939,617	233,510,224	129,362,396	71,712,343	201,074,739

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

A.	OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	
I.	GUARANTEES AND SURETYSHIPS	
1.1.	Letters of Guarantee	
1.1.1.	Guarantees Subject to State Tender Law	
1.1.2.	Guarantees Given for Foreign Trade Operations	
1.1.3.	Other Letters of Guarantee	
1.2.	Bank Acceptances	
1.2.1.	Import Letters of Acceptance	
1.2.2.	Other Bank Acceptances	
1.3.	Letters of Credit	
1.3.1.	Documentary Letters of Credit	
1.3.2.	Other Letters of Credit	
1.4.	Prefinancing Given as Guarantee	
1.5.	Endorsements	
1.5.1.	Endorsements to the Central Bank of Turkey	
1.5.2.	Other Endorsements	
1.6.	Purchase Guarantees for Securities Issued	
1.7.	Factoring Guarantees	
1.8.	Other Guarantees	
1.9.	Other Suretyships	
II.	COMMITMENTS	
2.1.	Irrevocable Commitments	
2.1.1.	Forward Asset Purchase Commitments	
2.1.2.	Forward Deposit Purchase and Sale Commitments	
2.1.3.	Capital Commitment for Associates and Subsidiaries	
2.1.4.	Loan Granting Commitments	
2.1.5.	Securities Underwriting Commitments	
2.1.6.	Commitments for Reserve Deposit Requirements	
2.1.7.	Commitments for Cheque Payments	
2.1.8.	Tax and Fund Liabilities from Export Commitments	
2.1.9.	Commitments for Credit Card Expenditure Limits	
2.1.10.	Commitments for Credit Cards and Banking Services Promotions	
2.1.11.	Receivables from Short Sale Commitments	
2.1.12.	Payables for Short Sale Commitments	
2.1.13.	Other Irrevocable Commitments	
2.2.	Revocable Commitments	
2.2.1.	Revocable Loan Granting Commitments	
2.2.2.	Other Revocable Commitments	
III.	DERIVATIVE FINANCIAL INSTRUMENTS	
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	
3.2.1.	Forward Foreign Currency Buy/Sell Transactions	
3.2.1.1.	Forward Foreign Currency Buy Transactions	
3.2.1.2.	Forward Foreign Currency Sell Transactions	
3.2.2.	Currency and Interest Rate Swaps	
3.2.2.1.	Currency Swap Buy Transactions	
3.2.2.2.	Currency Swap Sell Transactions	
3.2.2.3.	Interest Rate Swap Buy Transactions	
3.2.2.4.	Interest Rate Swap Sell Transactions	
3.2.3.	Currency, Interest Rate and Security Options	
3.2.3.1.	Currency Call Options	
3.2.3.2.	Currency Put Options	
3.2.3.3.	Interest Rate Call Options	
3.2.3.4.	Interest Rate Put Options	
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	

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

		Footnotes	THOUSANDS TL					
			CURRENT PERIOD (30/09/2013)			PRIOR PERIOD (31/12/2012)		
			TL	FC	Total	TL	FC	Total
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		340,326,209	161,758,560	502,084,769	236,376,386	116,378,967	352,755,353
IV.	ITEMS HELD IN CUSTODY		177,424,502	10,773,999	188,198,501	116,338,858	8,860,602	125,199,460
4.1	Customers' securities held		48,676,082	743,004	49,419,086	21,396,925	545,279	21,942,204
4.2	Investment securities held in custody		110,792,477	763,664	111,556,141	79,278,833	630,739	79,909,572
4.3	Cheques received for collection		12,770,246	3,260,398	16,030,644	11,418,874	2,385,085	13,803,959
4.4	Commercial notes received for collection		2,410,910	4,322,037	6,732,947	2,059,401	3,396,629	5,456,030
4.5	Other assets received for collection		8,519	40,479	48,998	4,352	32,246	36,598
4.6	Assets received for public offering		2,541	-	2,541	2,541	-	2,541
4.7	Other items under custody		1,212,837	1,644,417	2,857,254	1,198,530	1,870,559	3,069,089
4.8	Custodians		1,550,890	-	1,550,890	979,402	65	979,467
V.	PLEDGED ITEMS		152,443,723	116,777,137	269,220,860	119,012,550	82,821,816	201,834,366
5.1.	Marketable securities		4,534,368	2,436,122	6,970,490	1,871,649	1,208,830	3,080,479
5.2.	Guarantee notes		4,043,646	9,044,760	13,088,406	3,863,637	6,908,776	10,772,413
5.3.	Commodity		35,858,344	8,510,159	44,368,503	29,751,612	2,192,546	31,944,158
5.4.	Warrant		-	-	-	-	-	-
5.5.	Real Estates		93,480,108	62,485,501	155,965,609	77,545,713	44,868,184	122,413,897
5.6.	Other pledged items		14,527,257	34,300,595	48,827,852	5,979,939	27,596,273	33,576,212
5.7.	Pledged items-depository		-	-	-	-	47,207	47,207
VI.	ACCEPTED BILL GUARANTEES AND SURETIES		10,457,984	34,207,424	44,665,408	1,024,978	24,696,549	25,721,527
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		418,825,245	266,897,867	685,723,112	301,068,099	196,435,369	497,503,468

TÜRKİYE İŞ BANKASI A.Ş.*(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)***IV. CONSOLIDATED INCOME STATEMENT**

I.	INTEREST INCOME
1.1	Interest Income on Loans
1.2	Interest Income on Reserve Deposits
1.3	Interest Income on Banks
1.4	Interest Income on Money Market Placements
1.5	Interest Income on Marketable Securities Portfolio
1.5.1	Financial Assets Held for Trading
1.5.2	Financial Assets at Fair Value Through Profit and Loss
1.5.3	Financial Assets Available for Sale
1.5.4	Held to Maturity Investments
1.6	Finance Lease Income
1.7	Other Interest Income
II.	INTEREST EXPENSE
2.1	Interest on Deposits
2.2	Interest on Funds Borrowed
2.3	Interest on Money Market Funds
2.4	Interest on Securities Issued
2.5	Other Interest Expense
III.	NET INTEREST INCOME / EXPENSE (I - II)
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSE
4.1	Fees and Commissions Received
4.1.1	Non-cash Loans
4.1.2	Other
4.2	Fees and Commissions Paid
4.2.1	Non-cash Loans
4.2.2	Other
V.	DIVIDEND INCOME
VI.	TRADING INCOME / LOSS (NET)
6.1	Gains/Losses on Securities Trading
6.2	Derivative Financial Transactions Gains/Losses
6.3	Foreign Exchange Gains/Losses
VII.	OTHER OPERATING INCOME
VIII.	TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)
X.	OTHER OPERATING EXPENSES (-)
XI.	NET OPERATING INCOME (VIII-IX-X)
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)
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)
16.1	Current Tax Provision
16.2	Deferred Tax Provision
XVII.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)
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)
23.1	Group's Profit / Loss
23.2	Non-controlling Interest (-)
	Earnings Per Share (in full TL)

TÜRKİYE İŞ BANKASI A.Ş.
(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 (30/09/2013)	PRIOR PERIOD (30/09/2012)
I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	(1,658,742)	1,128,697
II. REVALUATION SURPLUS ON TANGIBLE ASSETS		
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS		
IV. TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	64,783	(113,002)
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	(109,263)	(255,163)
VIII. OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY IN ACCORDANCE WITH TAS	252,212	(134,746)
IX. DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	(1,451,010)	625,776
X. NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	2,439,943	2,439,335
XI. PROFIT/LOSS FOR THE PERIOD	(44,851)	(104,098)
11.1 Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	-	-
11.2 Net Changes in the Fair Values of 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	2,564,794	2,543,433
11.4 Other	-	-
XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X+XI)	1,068,933	3,065,111

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TÜRKİYE İŞ BANKASI A.Ş.
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

VI. 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 Participation	Hedge Reserves	Accumulated Res. Reserve on Assets Held for Sale and Discontinued Operations	Total Shareholders' Equity Except Non-controlling Interest	Non-controlling Interest	Total Equity
I. Beginning Balance (30/09/2012)		4,500,000	1,615,938	33,937		1,838,830	39,586	6,363,264	110,322		2,179,515	1,159,906			(1,179)		17,840,119	2,470,450	20,310,569
II. Correction Made According to TAS 8																			
2.1. The Effect of Corrections of Errors																			
2.2. The Effect of Changes in Accounting Policies																			
III. Adjusted Beginning Balance (I+II)		4,500,000	1,615,938	33,937		1,838,830	39,586	6,363,264	110,322		2,179,515	1,159,906			(1,179)		17,840,119	2,470,450	20,310,569
Changes During the Period																			
IV. Increase/Decrease Due to Mergers																			
V. Marketable Securities Value Increase Fund												738,778					738,778	142,567	881,345
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																			
XI. The Effect of Disposal of Assets																			
XII. The Effect of Reclassification of Assets																			
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																			
XIV. Capital Increase																			
14.1. Cash																			
14.2. Internal Sources																			
XV. Share Issue																			
XVI. Share Cancellation Profits																			
XVII. Paid-in-Capital Inflation Adjustment																			
XVIII. Other ⁽¹⁾				3		229		1,754			(200)						1,786	(6,386)	(4,600)
XIX. Net Profit / Loss for the Period										2,439,335	(2,788,825)						2,439,335	215,090	2,654,425
XX. Profit Distribution						192,250	8,967	1,953,972			(633,636)						(633,636)	(73,108)	(706,744)
20.1. Dividend Paid						192,250	8,967	1,953,972			(2,155,189)						(633,636)	(73,108)	(706,744)
20.2. Transfer to Reserves																	-	-	-
20.3. Other																			
Ending Balance (III+IV+...+XVIII-XIX+XX)		4,500,000	1,615,938	33,940	-	2,031,309	48,553	8,318,990	(2,680)	2,439,335	(609,510)	1,898,684			(1,179)		20,273,380	2,749,056	23,022,436

TÜRKİYE İŞ BANKASI A.Ş.

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

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

	Equities	Reserves	Capital	Share Premium	Share	Share Cancellation	Legal Reserve	Statutory Reserve	Extraordinary Reserve	Other Profit Reserve	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase / (Decrease)	Tangible and Intangible Assets Revaluation Increase / (Decrease)	Bonus Shares from Equity Distribution	Hedge Reserve	Accumulated Res. Reserve on Sale and Redemption of Shares	Total Shareholders' Equity Except Non-controlling Interest	Non-controlling Interest	Total
	4,500,000	1,415,038	33,940				2,071,309	448,531	8,318,990	3,822						(1,179)		21,966,938	2,891,817	24,858,755
I. Beginning Balance													2,601,105							
II. Changes During the Period													(1,515,793)							
III. Increase / (Decrease) Due to Margin																				
IV. Hedge Reserve (Effective Port)																				
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. Increase / (Decrease) Due to Sale of Subsidiaries in 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 Issuance Adjustment																				
XVI. Other ⁽¹⁾																				
XVII. Net Profit / Loss for the Period																				
XVIII. Profit Distribution																				
18.1. Dividend Paid																				
18.2. Trans fer to Reserves																				
18.3. Other ⁽²⁾																				
Ending Balance																				

(1) Represents changes in Group's shares

(2) According to the Articles of Incorporation of the Bank, a portion of the net profit for the period is distributed to the employees as a dividend, provision in 2012 for dividends distributed to employees within the scope of "TAS 19-Employee Benefits". has been added to distributable profit.

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VII. CONSOLIDATED STATEMENT OF CASH FLOW

A. CASH FLOWS FROM BANKING OPERATIONS

1.1. Operating Profit Before Changes in Operating Assets and Liabilities

- 1.1.1. Interest Received
- 1.1.2. Interest Paid
- 1.1.3. Dividend Received
- 1.1.4. Fees and Commissions Received
- 1.1.5. Other Income
- 1.1.6. Collections from Previously Written Off Loans and Other Receivables
- 1.1.7. Cash Payments to Personnel and Service Suppliers
- 1.1.8. Taxes Paid
- 1.1.9. Other

1.2. Changes in Operating Assets and Liabilities

- 1.2.1. Net (Increase) Decrease in Financial Assets Held for Trading
- 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
- 1.2.4. Net (Increase) Decrease in Loans
- 1.2.5. Net (Increase) Decrease in Other Assets
- 1.2.6. Net Increase (Decrease) in Bank Deposits
- 1.2.7. Net Increase (Decrease) in Other Deposits
- 1.2.8. Net Increase (Decrease) in Funds Borrowed
- 1.2.9. Net Increase (Decrease) in Matured Payables
- 1.2.10. Net Increase (Decrease) in Other Liabilities

I. Net Cash Provided From Banking Operations

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
- 2.2. Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities
- 2.3. Tangible Asset Purchases
- 2.4. Tangible Asset Sales
- 2.5. Cash Paid for Purchase of Financial Assets Available for Sale
- 2.6. Cash Obtained from Sales of Financial Assets Available for Sale
- 2.7. Cash Paid for Purchase of Investment Securities Held to Maturity
- 2.8. Cash Obtained from Sales of Investment Securities Held to Maturity
- 2.9. Other

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
- 3.2. Cash Used for Repayment of Funds Borrowed and Securities Issued
- 3.3. Equity Instruments
- 3.4. Dividends Paid
- 3.5. Payments for Finance Leases
- 3.6. Other

IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents

V. Net Increase / (Decrease) in Cash and Cash Equivalents

VI. Cash and Cash Equivalents at Beginning of the Period

VII. Cash and Cash Equivalents at End of the Period

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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 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, investment consulting, real estate portfolio management, financial lease, factoring services, portfolio and asset management. The liabilities on the Group’s balance sheet are mainly composed of relatively short-term deposits, parallel to general liability structure of the banking system, which is its main field of activity. As for the non-deposit liabilities, funds are collected through medium and short-term instruments. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Parent Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey (CBT). The liquidity of the Group and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the developments in the sector fixed and floating rate placements are made according to the yields of alternative investment instruments.

By taking into account the global and national economic outlook, market conditions, current and potential credit customers’ expectations and tendencies, and risks such as; interest rate, liquidity and currency risks, the Group’s placements are focused on high yielding and low risk assets and safety principle has always been the top priority. Generally a pricing policy aiming at high return is implemented in the long-term placements of the Group, and attention is paid to the maximum use of non-interest income generation opportunities.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Parent Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Parent Bank’s own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Parent Bank’s asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits specified by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

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2. Foreign Currency Transactions

The financial statements of the Parent Bank’s branches are prepared in functional currency prevailing in the economic environment in which they operate. If the functional currency is not the Turkish Lira, they are presented in TL, which is the functional currency of the Parent Bank. The consolidated financial statements are presented in TL, which is the functional currency of the Parent Bank.

Foreign currency monetary assets and liabilities on the balance sheet are converted into TL by using the prevailing exchange rates at the balance sheet date. Non-monetary items denominated in foreign currency are converted into Turkish Lira by the rates at the date of which the fair value is determined. The consolidated income statement reflects the conversions of monetary foreign currency items and the cost of foreign currency transactions. In accordance with TFRS, investments in non-domestic companies are considered as non-monetary items and are converted into Turkish Lira by the rates at the date of the transaction. In accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents and other communiqués and interpretations of BRSA on accounting and financial reporting in Hyperinflationary Economies”, the inflation rate prevailing between the date of transaction and final date that is used for the calculation of the provision amounts for any permanent impairment of investments.

While the Parent Bank and Türkiye Sınai Kalkınma Bankası (TSKB) use the prevailing exchange rates for their foreign currency transactions, the consolidated financial statements are presented in TL, which is the functional currency of the Parent Bank.

Assets and liabilities of the foreign branches of the Parent Bank are converted into TL by using the prevailing exchange rates at the date of the transactions. Incomes and expenses are converted into TL at average foreign currency rates as long as there is not a significant exchange rate differences arising from the conversion of assets and liabilities of the foreign branches of the Parent Bank into TL.

III. Information on the Consolidated Companies

1. Basis of Consolidation:

The consolidated financial statements have been prepared in accordance with the “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 Bank.

Control is the power of the Parent Bank to appoint or remove the majority of directors through direct or indirect possession of the majority of the voting rights; or by owning minimum fifty-one per cent of its capital; or by having the power to exercise a dominant influence over the management of holding privileged shares or of agreements with other shareholders.

As per the “Communiqué Related to the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette numbered 26340 dated 8 November 2006, the consolidated financial statements of the Parent Bank qualified as credit institutions or financial institutions, and the consolidated subsidiaries is given in Section Five, Note I.h.3.

Under full consolidation method, the assets, liabilities, income and expenses of the subsidiaries are combined with the equivalent items of the Parent Bank. The consolidated income statement reflects the investments in each of the subsidiaries and the Group’s portion of the net income and in the equity of the subsidiaries. The consolidated balance sheet reflects the transactions and balances between the Parent Bank and the subsidiaries. The consolidated income statement reflects the controlling interests in the net income and in the equity of the subsidiaries. The consolidated balance sheet reflects the Group’s net income and the Group’s shareholders’ equity. The consolidated income statement reflects the net income and the consolidated balance sheet and in the income statement.

Accounting policies used by the subsidiaries, that are included in the consolidated financial statements, are the same as the Parent Bank’s.

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

If the fair value is less than the amortized cost, the negative difference is recognized under the “Losses on Securities Trading” account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

a.2. Financial Assets at Fair Value through Profit and Loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

b. Financial Assets Available for Sale and Held to Maturity Investments

b.1. Financial Assets Available for Sale

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

b.2. Held to Maturity Investments

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

There are no financial assets that are classified by the Group as held to maturity investments; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

3. Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition.

Retail and commercial loans that are followed under cash loans are accounted at original maturities, based on their contents.

Foreign currency indexed consumer and corporate loans are followed at TL accounts after converting into TL by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

VIII. Impairment of Financial Assets

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

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

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

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

When a decline occurs in the fair values of the “financial assets measured at fair value through profit or loss,” the amount of the decline is recognized in equity, the accumulated profit/loss that had been recognized in profit or loss in prior periods is reversed in the current period profit or loss. If, in a subsequent period, the fair value of the financial asset increases, the amount of the increase is recognized in profit or loss, with the amount of the reversal recognized in profit or loss.

Loans are classified and followed in line with the provisions of the Principles and Procedures on the Allocation of Loan and Redemption of 26333 dated 1 November 2006. While the Parent Bank is performing loans and other receivables, considering an account has been amended accordingly; since the third quarter of the previous year in accordance with the minimum provision rates mentioned. The factoring operations for the receivables in the "Financial Assets" are followed in line with the Principles and Procedures for the Provision for Receivable Assets. The Official Gazette numbered 26558 dated 20 July 2007 and for the "Regulation on the Establishment and Operations of Assets and Liabilities" numbered 26333 dated 01 November 2006 under the specific provisions of the income statement. Provisions released in the same year, the remaining part of the provisions in the "Other Operating Income" is followed in line with the provisions of the "Regulation on the Establishment and Operations of Assets and Liabilities" numbered 26333 dated 01 November 2006.

Other than specific allowances, the Parent Bank and the firm maintain "general allowances" for loan and other receivables classified in accordance with the following categories: Non-Performing Loans and Other Receivables.

IX. Offsetting Financial Instruments

A financial asset and a financial liability shall be offset and a party currently has a legally enforceable right to set off the asset against the liability and to realize the asset and settle the liability simultaneously.

X. Sale and Repurchase Agreements and Securities

Marketable securities subject to repurchase agreements are classified as "Maturity Investments" in the Parent Bank's portfolio and the portfolios.

Funds obtained from the repurchase agreements are recognized as liabilities. For the difference between the sale and repurchase price, an expense accrual is calculated using the internal rate of return.

Reverse repo transactions are recognized under the “Receive” difference between the purchase and resale prices determines the accrual is calculated using the internal rate of return method.

XI. Non-current Assets Held for Sale and Discontinued Operations

Assets that meet the criteria to be classified as held for sale at less costs to sell and presented in the financial statements as such, the asset (or the disposal group) should be available for any regular sales of such assets (or such disposal groups) and the appropriate level of management must be committed to a programme to complete the plan should be initiated to locate an active market sale value, which is a reasonable value to extend the completion of the sale more than one year. Such evidence that the delay in the sale process is due to the event that the entity remains committed to its plan to sell the asset (or the

A discontinued operation is a component of a bank that either (1) has been disposed of or (2) is expected to be disposed of, and its financial results and losses relating to discontinued operations are presented separately from continuing operations. Discontinued operations of Parent Bank and consolidated associates are as follows:

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The Group's intangible assets consist of consolidation goodwill and software programs.

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.

XIII. Tangible Assets

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 held under finance leases are depreciated over the expected useful life or lease term whichever is the shorter for the specified period.

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.

There are no restrictions such as pledges, mortgages on tangible assets.

	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	4-15	6.66%-25%

	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	4-15	6.66%-25%

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

Investment property is kind of property which is held by the financial statements at acquisition costs less accumulated and mentioned for tangible assets are also valid for investment pr

Assets acquired under financial leases are carried at the lower of cost or fair value less impairment. Leasing payables are recognized as liabilities in the balance sheet. Finance lease payments are recognized as expense over the term of the lease, which provides a decrease in finance lease liability and an increase in the amount of the debt to be calculated. Within the context of the income statement, assets held under finance leases (movable properties) account and are depreciated.

In cases when the Group is the “lessor”, finance lease receivables are recognized at the fair value of the leased asset and the net investment in the lease at the commencement date, and in the reporting periods after the first entry date they are recognized using the effective interest method. Interest income on finance lease is allocated to the periods of the lease term in proportion to the present value of the payments to be received from the investments that are subject to leasing.

Operational lease transactions are recognized in line with the

In insurance companies premium income is obtained subsequent to the occurrence of the insured event. Claims are recorded in expense as they are reported. Outstanding claims are recorded in liability as they are not paid yet and for the claims that incurred but not reported in these provisions.

Effective 1 January 2005, the Group's insurance subsidiary represents the completion of phase I and is a transitional contracts has more fully addressed. TFRS 4 requires that all insurance contracts or investment contracts. Contracts with Insurance risk is defined as risk, other than financial risk, permits a company to continue with its previously adopted of insurance contracts. Only in case of presentation of more out. Contracts issued by insurance companies without significant Investment contracts are accounted for in accordance with T Recognition and Measurement".

The reserve for unearned premiums consists of the gross amounts of premiums that are in effect to the subsequent period or periods of balance sheet date, less a discount.

In case the expected loss premium ratio is over 95%, the specified by the Undersecretariat of Treasury. For each ma 95% by the net unearned premium provision, is added to the

Reserve for outstanding claim is recognized for the accrued periods or for the claims realized with the expected costs but

Mathematical reserve is recognized on actuarial bases in or for life, health and personal accident insurance contracts for

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On the other hand, actuarial chain ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve for the amount of uncertain indemnity, additional reserve must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

XVIII. Provisions and Contingent Liabilities

As of the end of the reporting period, A past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists, the entity recognizes a provision in the financial statements. As of the end of the reporting period where it is more likely that no present obligation exists at the end of the reporting period, the entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

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 Parent Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities. As the legislations of the countries in which İşbank's non-resident subsidiaries operate do not require retirement pay provision, no provision liability has been recognized for the related companies. In addition, provision is also allocated for the unused paid vacation.

2. Retirement Benefit Obligations

İşbank Pension Fund (Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı), of which each employee of the Parent Bank is a member, has been established according to the provisional Article 20 of the Social Security Act numbered 506. As per provisional article numbered 23 of the Banking Law numbered 5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Institution Law, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 numbered 2006/11345.

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However, the related article of the act has been cancelled by the Constitutional Court on the Official Gazette dated 15 December 2007. The Supreme Court's decision dated 22 March 2007, Nr.E.2007/10000, dated 31 March 2007 and numbered 26479 and the execution decision.

After the justified decree related to cancelling the provision of the Constitutional Court on the Official Gazette dated 15 December 2007, the Assembly started to work on establishing new legal regulations. In this context, TGNA, the Law numbered 5754 "Emendating Social Security Law", which was published on the Official Gazette dated 14 March 2011, and new law decrees that the contributors of the bank pension fund and their rightful beneficiaries will be transferred to the Social Security Institution within the release date of the related article, without any delay. The period prolonged for maximum 2 years by the Cabinet decision. However, the Cabinet decision dated. 14 March 2011, which was published on the Official Gazette dated 14 March 2011, numbered 27900. In addition, by the Law "Emendating Social Security Law", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, the transfer period has been prolonged for one more year by the Cabinet decision dated 14 March 2012, numbered 28636, published on the Official Gazette dated 3 May 2013 and numbered 28636.

On the other hand, the application made on 19 June 2008 by the Bank for the annulment and motion for stay of some articles, including the articles covering provisions on transfers, was rejected in accordance with the decision of the court on 30 March 2011.

The above mentioned law also states that;

- Through a commission constituted by the attendance of the Social Security Institution, Ministry of Finance, Turkish Treasury, State Audit, Social Security Agency, Savings Deposit Insurance Fund, one from the employers and one from the employees, pension fund contributors, related to the transfer of the pension fund as of the transfer date will be calculated by considering the value of the insurance within the context of the related Law, and the value of the cash, and
- And that after the transfer of the pension fund contributors and their rightful beneficiaries to the Social Security Institution, the payments, despite being included in the trust indenture of the pension funds and the employers of pension fund contributors, will be made by the Social Security Institution.

In line with the new law, the Bank had an actuarial valuation of the pension fund as of 31 December 2012. In the financial statements for the related period provided in the actuarial report dated 30 January 2013 and in the financial statements for the current period. The actuarial assumptions used in the valuation are as follows: II-h.2. Besides the Parent Bank, Milli Reasürans T.A.Ş., and the subsidiaries of the Bank, the pension fund and the related liabilities according to this report and reflected to the year-end financial statements for the related period. According to actuarial report as at 11 February 2013, the pension fund of Türkiye Sınai Kalkınma Bankası to the Group at 31 December 2012 is as follows:

Up to now, there has not been any deficit in İşbank Pension Fund. The Bank has made payments to the employees in accordance with the rules of the Civil Code and the Labor Law. The Bank has made no payment for this purpose. It is believed that the Bank will continue to fulfill its obligations, and that it shall not constitute an additional liability for the Bank. The pension funds of the employees of Türkiye Sınai Kalkınma Bankası, which is among the other financial institutions, Sigorta Şirketi, which are among the other financial institutions, are not included in the scope of the transfer.

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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 nine months of the year 2013 will be paid in November 2013 and will be offset with the current period's corporate tax.

Tax expense is the sum of the current tax expense and deferred tax charge. Current period tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded. Current taxes are shown in the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovables are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

2. Deferred Tax:

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. General provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

Deferred tax assets and liabilities in the financial statements of banks and companies are shown by way of offsetting. In the consolidated financial statements, on the other hand, the deferred tax assets and liabilities that come from the companies as offset are separately shown in the assets and liabilities.

3. Tax Practices in the Countries that Foreign Branches Operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% corporate tax and 15% income tax. The tax bases for companies are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of the companies. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

England

Corporate earnings are subject to 23% 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 a specific balance within the scope of the regulations' tax base of the relevant year, is higher than the amount found 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.

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Relevant temporary tax payments are deducted from the corporate tax payable of the relevant year. On the other hand, if the tax payable is higher than the corporate tax payable, the difference is carried over to the end of January of the second year following the year that the tax is paid.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of Bahrain.

The Republic of Iraq (Iraq)

Corporate earnings are subject to 15% income tax in Iraq. The tax is paid in the following year to the related tax administration by the end of the year. The tax sheet must be presented to the tax office until the end of July of the following year. On the other hand, Tax Administrations Regional Government in Northern Iraq are not subject to tax.

Georgia

Corporate earnings are subject to income tax rate of 15% according to the Georgian tax base that will be calculated as a result of the implementation of the income of corporations and that are calculated in accordance with the legislation of Georgia, each year during May, July, September and November. The previous year income tax, is paid to the tax office by the end of the year. If those prepaid taxes are lower than the final corporate tax, the difference is paid in the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the end of April.

Kosovo

Corporate earnings are subject to income tax rate of 10% according to the Kosovo tax base that will be calculated as a result of the implementation of the corporate income and that are calculated in accordance with the legislation of Kosovo, each year during October and January of the current year and the 15th day of the following year. If those prepaid taxes are lower than the final corporate tax, the difference is paid in the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the end of April.

Germany

According to the tax regulations in Germany, corporate gains are subject to 5.5% corporate tax. The tax of 5.5% is calculated over this corporate tax. The tax cannot be deducted according to Germany regulations, to income tax. Exemptions and deductions from these. The corporate tax payable is deducted from the corporate tax that is finalized at the end of the year.

Russia

According to the Russian regulations, corporate gains are subject to 20% corporate tax on accrual basis and it is measured by adding the non-deductible expenses to the commercial gains. Companies in Russia make quarterly tax returns and make payments during the period. Final taxation period for corporate tax is the end of the year. Considering the provisional taxes paid during the year. The tax is paid in the current period tax base, but provided that it is limited to the amount of the corporate tax payable.

United Arab Emirates

The companies operating in the free zones of Dubai are not subject to tax.

4. Transfer Pricing:

Transfer pricing is regulated through Article 13 of Corporate Tax Law "Transfer pricing is regulated through Article 13 of Corporate Tax Law "earnings". Detailed information for the practice regarding transfer pricing is provided in the "Camouflage of Earnings through Transfer Pricing".

According to the aforementioned regulations, in the case of persons/corporations at a price that is determined against "market price" implicitly through transfer pricing and such distribution of gains.

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XXII. Borrowings

The Parent Bank and its consolidated Group companies resort to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bills, bonds. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

XXIII. Equity Shares and Issuance of Equity Shares

Share issuance related to costs is recognized as expenses.

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Parent Bank's earnings per share calculations taking place in the consolidated income statement are as follows.

	Current Period	Prior Period
Profit attributable to shareholders	2,519,943	2,439,335
Weighted average number of shares (thousands)	112,502,250	112,502,250
Earnings per share – (in exact TL)	0.022399045	0.021682544

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 X.

XXVII. Other Disclosures

To adapt to the financial statements 30 September 2013, reclassifications have been made on the income statement at 30 September 2012 and off-balance sheet on 31 December 2012.

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SECTION FOUR: INFORMATION ON THE FINANCIAL STATEMENTS OF THE GROUP

I. Explanations on Consolidated Capital Adequacy

The Group's and the Parent Bank's capital adequacy stand at 16.33% and 16.33% respectively. Capital adequacy ratio is calculated according to the "Regulation on Measurement of Capital Adequacy Ratios of Banks", "Regulation on Calculation of Risk Weighted Amounts for Securitizations" and "Regulation on Effectiveness Date" which is 1 July 2012, and the calculations are made in the Official Gazette numbered 26333 dated 1 November 2006.

Capital adequacy ratio is calculated from obligated required capital. The amount subject to credit risk on balance sheet assets and off-balance sheet instruments, risk classes and ratings of risk weights are evaluated.

The amount subject to credit risk for non-cash loans and commitments are defined in the 5th article of "Regulation On Measurement of Capital Adequacy Ratios of Banks" and "Regulation On Measurement of Capital Adequacy Ratios of Banks" by deducting specific provision amount which is calculated according to the Receivables and Principles and Procedures on the Allocation of Capital Adequacy Ratios of Banks. The items, which are considered in the calculation of capital requirement of credit risk are as follows:

Such financial assets, liabilities and off-balance sheet transactions are defined in the "Regulation On Measurement of Capital Adequacy Ratios of Banks" and "banking accounts" in accordance with the "Regulation On Measurement of Capital Adequacy Ratios of Banks". Actively traded asset on balance sheet, derivative transactions, currency positions are used in calculation of market risk. Instruments and non-financial assets which are excluded from the calculation of credit risk.

In the calculation of the Parent Bank's operational risk, "Basel II" is used.

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Information related to the Parent Bank's capital adequacy ratio:

Value at Credit Risk	Risk Weights								
	Bank-Only								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Risk Classes									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	48,714,609			6,539,628		42,829			
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments			23,045	38,391		1			
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises						216,643			
Contingent and Non-Contingent Receivables from Multilateral Development Banks	1,213								
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries			4,525,203	3,356,145		352,132	55		
Contingent and Non-Contingent Corporate Receivables			1,461,241	2,792,367		88,691,718			
Contingent and Non-Contingent Retail Receivables			16	9,309	38,373,570				
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages				11,064,421					
Non-performing Receivables ⁽¹⁾						493,621			
Receivables are identified as high risk by the Board							3,792,811	9,023,834	
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions						353,887			
Other Receivables	2,027,577		133			10,851,821			

⁽¹⁾ In accordance "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables and represents the net of value after the offsetting with the specific provisions for those.

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Information related to consolidated capital adequacy ratio:

Value at Credit Risk	Risk Weights			
	Bank-Only			
	0% ⁽²⁾	10%	20%	1250%
Risk Classes				
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	58,917,079			6,539,628
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments			23,045	
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises				
Contingent and Non-Contingent Receivables from Multilateral Development Banks	1,213			
Contingent and Non-Contingent Receivables from International Organizations				
Contingent and Non-Contingent Receivables from Banks and Intermediaries			6,365,324	88,691,718
Contingent and Non-Contingent Corporate Receivables			1,062,694	
Contingent and Non-Contingent Retail Receivables			16	
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages				11,064,421
Non-performing Receivables ⁽¹⁾				493,621
Receivables are identified as High Risk by the Board				
Secured Marketable Securities				
Securitization Positions				
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries				
Investments as Collective Investment Institutions	61,360			
Other Receivables	2,066,229		133	

⁽¹⁾ In accordance "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables and represents the net of value after the offsetting with the specific provisions for those.

⁽²⁾The amount includes blocked financial investments with risks on saving life policyholders which is one of the Group companies.

Summary information about the Parent bank's capital adequacy ratio:

	Current Ratio
Capital Requirement for Credit Risk (VaCR*0.08) (CRCR)	
Capital Requirement for Market Risk (CRMR)	
Capital Requirement for Operational Risk (CROR)	
Equity	
Equity/((CRCR+CRMR+CROR)*12.5*100)	

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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	33,940	33,940
Share Cancellation Profits		
Reserves	12,940,288	10,113,697
Inflation Adjustments to Reserves		
Profit	1,905,184	2,802,512
Current Period Profit	2,519,943	3,412,022
Prior Periods' Profit	(614,759)	(609,510)
Provision for Possible Losses (up to 25% of the Core Capital)	1,000,000	1,000,000
Gain on Sale of Associates, Subsidiaries and Real Estates	287,086	288,977
Primary Subordinated Debt		
Non-controlling Interest	2,881,035	2,675,494
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	119,498	125,518
Intangible Assets (-)	239,592	153,653
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	35,974
Total Core Capital	24,768,407	22,715,413
SUPPLEMENTARY CAPITAL (TIER II)		
General Loan Loss Provision	2,230,193	1,705,153
45% of Movables' Revaluation Reserve		
45% of Immovables' Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures) and not recognized shares in current period	(1,179)	(1,179)
Primary Subordinated Debts Excluding the Portion included in the Core Capital		
Secondary Subordinated Debts	2,050,300	1,838,040
45% of Marketable Securities and Investment Securities Value Increase Fund ⁽¹⁾	272,113	1,175,874
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments (excluding the inflation adjustments to reserves)		
Non-controlling Interest	76,844	97,994
Total Supplementary Capital	4,628,271	4,815,882

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TIER III CAPITAL

CAPITAL

DEDUCTIONS FROM THE CAPITAL

Investments in Unconsolidated Banks and Financial Institutions
Loans to banks, financial institutions (domestic/foreign) or quasi-institutions (domestic/foreign) or quasi-institutions of secondary subordinated loan and debt instruments purchased or sold in the primary or secondary subordinated loan
Investments in Banks and Financial Institutions, to which Equity Risk Capital is allocated whose Assets and Liabilities are Unconsolidated
Loan Granted to Customer Against the Articles 50 and 51 of the Banking Law
Net book values of immovables exceeding 50% of the capital
Overdue receivables and Held for Sale as per the Article 57 of the Banking Law
More Than Five Years
Securitization Positions Deducted from Equity
Others ⁽²⁾

TOTAL SHAREHOLDERS' EQUITY

⁽¹⁾ According to the related regulation, if the items subject to the Market Risk Capital are not included in the calculation of the Market Risk Capital, if positive 45% of the balance is taken into consideration in supplementary capital.

⁽²⁾ It includes the deductions from the capital in accordance with the Regulation on the Deductions from the Capital of Banks, No. 2010 and numbered 3980, published on the Official Gazette dated 18.09.2010.

II. Explanations on Consolidated Market Risk:

The market risk carried by the Group is measured by two separate methods: the Value at Risk (VAR) Method in accordance with the local regulations and the Scenario Analysis Method. In this context, interest rate risk emerges as the most important market risk.

The consolidated market risk measurements are carried out by the Risk Management Department and accounted in the legal reporting and evaluated with the top management.

The VAR Method is another alternative for the Standard Method. This model is used to measure the market risk of the Parent Bank. This model is used to measure the market risk of the equity share risk and is a part of the Parent Bank's daily risk management. It is carried out on a daily basis to determine the reliability of the estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR method used under various conditions are practiced, and the possible impacts of scenario analyses, on the value of the Parent Bank's portfolio are calculated. Financial participations also make VAR calculations. The results are reported to the Parent Bank's top management.

The limits set for the market risk management within the risk management policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculation. The calculation is carried out in accordance with "Regulation on the Market Risk Measurement" and in compliance with "Regulation on the Ratios of Banks" as at 30 September 2013.

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	Amount
(I) Capital Obligation against for General Market Risk – Standard Method	63,255
(II) Capital Obligation against for Specific Risk – Standard Method	104,145
Capital Obligation for Specific Risk Related to Securitization Positions-Standard Method	
(III) Capital Obligation against for Currency Risk – Standard Method	124,317
(IV) Capital Obligation against for Stocks Risk – Standard Method	31,792
(V) Capital Obligation against for Exchange Risk – Standard Method	1,875
(VI) Capital Obligation against for Market Risk of Options – Standard Method	3,569
(VII) Capital Obligation against for Counterparty Credit Risk-Standard Method	60,324
(VIII) Capital Obligation against for Market Risks of Banks Applying Risk Measurement	
(IX) Total Capital Obligation against for Market Risk (I+II+III+IV+V+VI+VII)	389,277
(X) Value at Market Risk (12.5 x VIII) or (12.5 x IX)	4,865,963

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 Parent Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks, within framework of the determined by the "Net Foreign Currency Overall Position/ Shareholders' Equity" ratio, which is a part of the legal requirement and the internal currency risk limits specified by the Board of Directors. Foreign exchange risk management decisions are strictly applied.

In measuring currency risk, which the Group is exposed to, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made for the Parent Bank within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging currency risk.

Risk measurements made within the context of the VAR are made on a daily basis using the historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on currency risk are reported to the Key Management and the risks are closely monitored by taking into account the market and the economic conditions.

The Parent Bank's foreign currency purchase rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

Date	USD	EUR
30. 09. 2013	1.9900	2.6825
27. 09. 2013	2.0057	2.7161
26. 09. 2013	1.9980	2.6937
25. 09. 2013	1.9861	2.6832
24. 09. 2013	1.9802	2.6715
23. 09. 2013	1.9649	2.6508

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

USD: TL 1.9957

EUR: TL 2.6637

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Information on currency risk:

Current Period	EUR
Assets	
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	
Banks	
Financial Assets at Fair Value through Profit/Loss ⁽¹⁾	
Money Market Placements	
Financial Assets Available for Sale	
Loans ⁽²⁾	2
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	
Held to Maturity Investments	
Derivative Financial Assets Held for Risk Management	
Tangible Assets ⁽¹⁾	
Intangible Assets ⁽¹⁾	
Other Assets ⁽¹⁾	
Total Assets	3
Liabilities	
Bank Deposits	
Foreign Currency Deposits ⁽³⁾	2
Money Market Funds	
Funds Provided from Other Financial Inst. ⁽⁴⁾	
Debt Securities Issued ⁽⁵⁾	
Miscellaneous Payables	
Derivative Financial Liabilities Held for Risk Management	
Other Liabilities ⁽¹⁾⁽⁶⁾	
Total Liabilities	3
Net On Balance Sheet Position	(2)
Net Off Balance Sheet Position	
Derivative Financial Assets ⁽⁷⁾	
Derivative Financial Liabilities ⁽⁷⁾	
Non-Cash Loans	
Prior Period	
Total Assets	2
Total Liabilities	2
Net Balance Sheet Position	(3)
Net Off Balance Sheet Position	
Derivative Financial Assets	
Derivative Financial Liabilities	
Non-Cash Loans	

⁽¹⁾ In accordance with the principles of the "Regulation on Measurement and Practical Application of the Unconsolidated Basis", Derivative Financial Instruments Foreign Currency Income Statement (TL 4,225), Prepaid expenses (TL 42,714), Intangible Assets (TL 5,160) in as Instruments Foreign Currency Expense Accruals (TL 168,451) and Shareholder measurement.

⁽²⁾ The balances include factoring receivables and foreign currency indexed loans 6,051,754 of the foreign currency indexed in asset, TL 3,143,809 is USD indexed, TL 2,907,945 is JPY indexed and TL 10 is CAD indexed.

⁽³⁾ The item includes TL 3,192,223 precious metals deposit accounts.

⁽⁴⁾ Loans in foreign currency indexed which are followed under TL account is included in the balance, TL 1,822 is USD indexed and TL 2,615 is EUR indexed.

⁽⁵⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet as "Other Liabilities".

⁽⁶⁾ The borrower funds are presented in the "Other Liabilities" according to their type and source.

⁽⁷⁾ The derivative transactions are taken into consideration within the context of the forward contracts.

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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.

a. Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates):

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						21,629,875	21,629,875
Banks	3,384,683	620,351	300,630			839,618	5,145,282
Financial Assets at Fair Value through Profit/Loss	704,334	575,255	618,088	311,732	144,956	310,001	2,664,366
Money Market Placements	308,540	20,551					329,091
Financial Assets Available for Sale	6,471,622	2,288,565	11,617,912	5,738,769	6,585,537	315,800	33,018,205
Loans ⁽¹⁾	36,078,999	22,099,228	30,030,525	43,083,284	11,227,009	166,542	142,685,587
Held to Maturity Investments	3,148,005	1,655,090	2,881,123				7,684,218
Other Assets	992,051	87,862	387,431	1,070,690	75,361	17,740,205	20,353,600
Total Assets	51,088,234	27,346,902	45,835,709	50,204,475	18,032,863	41,002,041	233,510,224
Liabilities							
Bank Deposits	3,064,241	554,991	430,629	13,628		229,612	4,293,101
Other Deposits	60,910,523	23,386,627	7,083,566	597,036	30,702	24,390,765	116,399,219
Money Market Funds	21,111,604	969,011	692,973				22,773,588
Miscellaneous Payables	644,498	1,697	2,068	3,824		10,712,034	11,364,121
Debt Securities Issued ⁽²⁾	940,675	2,602,342	2,040,991	2,005,473	3,527,401		11,116,882
Funds Provided from Other Financial Institutions	5,610,022	8,221,799	7,914,125	675,414	1,242,634		23,663,994
Other Liabilities ⁽³⁾⁽⁴⁾	602,310	1,154,942	2,364,325	95,285	1,336	39,681,121	43,899,319
Total Liabilities	92,883,873	36,891,409	20,528,677	3,390,660	4,802,073	75,013,532	233,510,224
Balance Sheet Long Position			25,307,032	46,813,815	13,230,790		85,351,637
Balance Sheet Short Position	(41,795,639)	(9,544,507)				(34,011,491)	(85,351,637)
Off Balance Sheet Long Position	948,535	2,022,030					2,970,565
Off Balance Sheet Short Position			(579,241)	(2,568,504)	(234,317)		(3,382,062)
Total Position	(40,847,104)	(7,522,477)	24,727,791	44,245,311	12,996,473	(34,011,491)	(411,497)

⁽¹⁾ The balance includes factoring receivables.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which is classified on the balance sheet under the subordinated loans, are also included.

⁽³⁾ Equity is included in “non-interest bearing” column.

⁽⁴⁾ The borrower funds are presented in “Up to 1 month” column in other liabilities.

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Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates):

Prior Period	Up to 1 Month	1-3 Months
Assets		
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey		
Banks	3,006,260	682,860
Financial Assets at Fair Value through Profit/Loss	368,828	745,742
Money Market Placements	81,675	
Financial Assets Available for Sale	9,323,834	3,159,675
Loans ⁽¹⁾	33,584,462	14,239,140
Investments Held to Maturity	676,402	3,290,560
Other Assets	924,355	71,330
Total Assets	47,965,816	22,189,322
Liabilities		
Bank Deposits	2,308,441	404,991
Other Deposits	54,553,321	20,184,260
Money Market Funds	15,725,235	584,075
Miscellaneous Payables	230,187	1,967
Debt Securities Issued ⁽²⁾	977,611	1,789,232
Funds Provided from Other Financial Institutions	8,910,894	5,247,654
Other Liabilities ⁽³⁾⁽⁴⁾	266,570	773,842
Total Liabilities	82,972,259	28,986,030
Balance Sheet Long Position		
Balance Sheet Short Position	(35,006,443)	(6,796,705)
Off Balance Sheet Long Position	2,332,732	4,365,149
Off Balance Sheet Short Position		
Total Position	(32,673,711)	(2,431,556)

⁽¹⁾ The balance includes factoring receivables.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which is classified on the balance sheet under the subordinated loans, are also included.

⁽³⁾ Equity is included in “non-interest bearing” column.

⁽⁴⁾ The borrower funds are presented in “Up to 1 month” column in other liabilities.

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

b. Average interest rates applied to monetary financial instruments:

(1) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

⁽¹⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

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c. The interest rate risk of the banking book items:

Interest rate risk arising from the banking accounts is defined as the risk of changes in interest rates due to differences in interest settlement and rollover dates. Interest rate risk is managed in the banking book; interest-bearing liabilities; interest-bearing assets; and the Board of Directors, is managed within the framework of the internal risk limits for banking portfolio. Compliance with internal risk limits for banking portfolio is monitored by the Department and Asset-Liability Committee and the measure is taken on a regular basis.

Duration and sensitivity analysis are conducted on a month risk arising from the banking books about Interest Rate Risk and Assessment of Standard Shock Method which is published duration analysis, the maturity gap between assets and liabilities, weighted average maturities based on the asset that sensitive re-pricing period. In the interest rate risk sensitivity analysis, economic value of the Bank's capital is examined.

The interest rate risk of the banking book item in accordance with the Regulation shall be measured on a monthly basis within the scope of the Regulation about the Measurement of the Interest Rate Risk of the Banking Book by Standard Shock Method. In the calculations of the interest rate risk, the Standard Shock Method modeling method is used for the deposits with low sensitivity to interest rate changes, and the maturity method is used for maturities is longer than contractual maturities. In the core deposits, the interest rate risk is calculated the how much and which maturity would remain unchanged. The interest rate risk of the banking book item constitute a conflict of the legal provisions for quantifying the interest rate risk of the banking book item.

Currency	Applied S (+/- x basis
TL	(+) 500
TL	(-) 400
EUR	(+) 200
EUR	(-) 200
USD	(+) 200
USD	(-) 200
Total (for Negative Shocks)	
Total (for Positive Shocks)	

V. Explanations on Equity Shares Risk Arising from

- a. Related to the equity investments account practice Section Note III.
- b. Balance Sheet Value of Equity Investment, fair value, the fair value comparison to the market price:

Share Certificate Investments	Book Value
Quoted	
Stock Investment Group A	
Subsidiaries	
Financial Subsidiaries	
Non-Financial Subsidiaries	
Non-Quoted	
Associate and Subsidiaries	
Financial Subsidiaries ⁽¹⁾	
Non-Financial Subsidiaries	
Subsidiaries	
Financial Subsidiaries	
Non-Financial Subsidiaries	

(1) *Accounted under equity accounted method.*

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c. Unrealized gains and losses on investment in stocks, revaluation increases with the amounts of main and additive capital:

Portfolio	Realized Gains/losses During the period	Revaluation Increases		Unrealized Gains		
		Total	Including to the Capital Contribution	Total	Including in to the main capital	Including to the Capital Contribution
Private Equity Investments						
Shares Traded on a Stock Exchange				1,615,034		726,765
Other Stocks						
Total				1,615,034		726,765

VI. Explanations on Consolidated Liquidity Risk

Liquidity risk may arise as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Parent Bank's main source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Parent Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. The Parent Bank also borrows medium and long-term funds from institutions abroad.

In order to meet the liquidity requirements that may arise due to market fluctuations, the Group analyses TL and FC cash flows projections to preserve liquid assets. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Parent Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Parent Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and to avoid extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio mean the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios of the Parent Bank for the first nine months period of the year 2013 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 (%)	150.43	135.34	100.03	107.99
Highest (%)	179.14	168.36	116.29	116.66
Lowest (%)	109.92	108.68	86.59	101.18

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	150.28	150.51	97.72	109.76
Highest (%)	172.36	175.69	113.42	125.15
Lowest (%)	125.96	119.19	88.25	103.75

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Presentation of assets and liabilities according to their maturities

	Demand	Up to 1 Month
Current Period		
Assets		
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,285,990	13,308,710
Banks	1,019,767	3,204,534
Financial Assets at Fair Value through Profit/Loss	310,001	397,418
Money Market Placements		308,540
Financial Assets Available for Sale	315,800	724,699
Loans ⁽²⁾	12,068,559	14,698,393
Held to Maturity Investments		430
Other Assets	435,167	2,227,654
Total Assets	22,435,284	34,870,378
Liabilities		
Bank Deposits	248,808	3,045,045
Other Deposits	24,397,043	60,903,780
Funds Provided from Other Financial Institutions		1,992,237
Money Market Funds		21,084,580
Debt Securities Issued ⁽³⁾		904,004
Miscellaneous Payables	5,806,235	5,427,805
Other Liabilities ⁽⁴⁾	3,390	3,120,430
Total Liabilities	30,455,476	96,477,881
Liquidity Gap	(8,020,192)	(61,607,503)
Prior Period		
Total Assets	19,025,859	31,812,507
Total Liabilities	26,673,938	80,219,082
Liquidity Gap	(7,648,079)	(48,406,575)

⁽¹⁾ Assets, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventories, which cannot be converted into cash in short-term, other liabilities such as Provisions, etc.

⁽²⁾ The balances include factoring receivables.

⁽³⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet as "Other Assets".

⁽⁴⁾ The borrower funds are presented in "Up to 1 month" column in other liabilities.

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None.

Activities carried out by the bank that give rise to credit risk and collaterals are in accordance with the provisions of the relevant legislation. However, effect of credit risk mitigation techniques is not taken into account in the determination of the capital adequacy ratio.

In addition to banking activities, activities of the entire the group as a whole is exposed to financial and non-financial risks which are required to be analyzed, monitored and reported within specific risk management principles of the bank and with the perspective of Group risk management. The risk management process is organized within the framework of risk management and serves the creation of a common risk culture in corporate level; which brings "good corporate governance" to forefront, business units that undertake risks and the interdependence between the internal audit and surveillance units are established, risk is defined in accordance with international regulations and in this context measurement, analysis, monitoring, reporting and control functions are carried.

The Bank's risk management process is carried out within the framework of risk policies which are set by recommendations of Risk Management Department and issued by the Board of the Directors and written standards which contains risk policies and implemented by executive units.

Credit risk

The Bank defines measures and manages credit risk of the all products and activities. Board of Directors review the Parent Bank's credit risk policies and credit risk strategy on an annual basis as a minimum. Key Management is responsible for the implementation of credit risk policies which are approved by Board of Directors.

In the Parent Bank's credit risk management, along the limits as required by legal regulations, the Parent Bank utilizes the risk limits to undertake the maximum credit risk within risk groups or sectors that the Board of Directors determines. These limits are determined such a way that prevents risk concentration on particular sectors.

The Bank uses credit decision support systems which are created for the purpose of credit risk management, lending decisions, controlling the credit process and credit provisioning. The consistency of the credit decision support systems with the structure of the Parent Bank's activities, size and complexity is examined continuously by internal systems. Credit decision support systems contain the Risk Committee assessment and approval of Board of Directors.

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Asset-liability management risk defined as the risk of Bank of China being inflicted from the Bank's assets, liabilities and off-balance sheet items, including interest rate risk, structural interest rate risk and liquidity risk of the bank's asset-liability management.

Board of Directors and the Audit Committee are responsible purpose, checking the status against risk limits and providing

Measurement of the Asset and Liability Management's compliance with risk limits are the responsibility of the Risk Management Department. The measurement is examined through different scenarios the measurement related to asset-liability management risk is reported to the Board of Directors through the Risk Committee and the Audit Committee.

Operational Risk

Operational risks that arise due to the activities are defined in the Bank Risk Catalogue is kind of the fundamental document that may be encountered. It is updated in line with the changes in

All risks are assessed in the context of operational risk, losses occurred in the Parent Bank, are monitored on a regular basis and reported periodically to the Risk Committee and the Board of Directors.

The Group's operations are classified as corporate, commercial and other operations. While the commercial and corporate operations are different from each other, according to their own criterion, in the classification of other operations:

Retail banking services are comprised of individuals needs such as bill collections, remittances, foreign currency trading, safe-d

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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

Current Period	Corporate	Commercial
OPERATING INCOME/EXPENSE		
Interest Income		
Interest Income from Loans	1,946,790	3,414,499
Interest Income from Banks		
Interest Income from Money Market Transactions		
Interest Income from Securities		
Finance Lease Income	39,674	49,115
Other Interest Income	22,173	15,115
Interest Expense		
Interest Expense on Deposits	617,413	508,115
Interest Expense on Funds Borrowed	130,302	
Interest Expense on Money Market Transactions		
Interest Expense on Securities Issued		
Other Interest Expense		
Net Interest Income		
Net Fees and Commissions Income		
Fees and Commissions Received	173,374	761,115
Fees and Commissions Paid	223,129	205,115
Dividend Income		
Trading Income/Loss (Net)		
Other Income	739,234	1,363,115
Prov. for Loans and Other Receivables	31,615	471,115
Other Operating Expense	573,904	1,704,115
Income Before Tax		
Tax Provision		
Net Period Profit		
Group Profit/Loss		
Non-controlling Interest Profit/Loss		
SEGMENT ASSETS		
Financial Assets at FV Through P/L		
Banks and Other Financial Institutions		
Money Market Placements		
Financial Assets Available for Sale		
Loans and Receivables	52,192,242	52,904,115
Held to Maturity Investments		
Associates and Subsidiaries		
Lease Receivables	1,008,020	743,115
Other	977,087	264,115
SEGMENT LIABILITIES		
Deposits	18,617,763	24,151,115
Derivative Financial Liabilities Held for Trading		
Funds Borrowed	10,077,186	
Money Market Funds		
Securities Issued ⁽¹⁾		
Other Liabilities ⁽²⁾	60,604	
Provisions		
Shareholders' Equity		

⁽¹⁾ Secondary subordinated issued bonds having credit quality, which are classified as "Other Liabilities".

⁽²⁾ 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

a. Cash and CBT:

a.1. Information on Cash and Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	1,274,493	675,312	1,064,233	616,428
Central Bank of Turkey	4,367,800	15,195,713	1,555,640	12,776,027
Other		116,557		98,799
Total	5,642,293	15,987,582	2,619,873	13,491,254

a.2. Information on Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4,367,800	1,851,828	1,555,640	1,440,136
Unrestricted Time Deposit				
Restricted Time Deposit				
Other ⁽¹⁾		13,343,885		11,335,891
Total	4,367,800	15,195,713	1,555,640	12,776,027

⁽¹⁾ The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities.

a.3. Information on reserve requirements:

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBT, banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11.5% for TL deposits and other liabilities, between 9%-13% for FC deposits and between 6%-13% for other FC liabilities. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

b. Information on Financial Assets at Fair Value through Profit and Loss:

b.1. Financial assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as at 30 September 2013 are amounting to TL 22,114 (31 December 2012: TL 44,206).

b.2. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as at 30 September 2013 are amounting to TL 808,166 (31 December 2012: TL 816,410).

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b.3. Positive differences on derivative financial assets held:

Forward Transactions	
Swap Transactions	
Futures	
Options	
Other	
Total	

c. Information on Banks:

Banks	
Domestic Banks	
Foreign Banks	
Foreign Head Office and Branches	
Total	

d. Information on Financial Assets Available for Sale:

d.1. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked as at 30 September 2013 are amounting to TL 4,557,148 (31 December 2012: TL 4,557,148).

d.2. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale which are subject to repurchase agreements as at 30 September 2013 are amounting to TL 10,878,084 (31 December 2012: TL 10,878,084).

d.3. Information on financial assets available for sale:

Debt Securities	
Quoted on a Stock Exchange	
Not-Quoted ⁽¹⁾	
Share Certificates	
Quoted on a Stock Exchange	
Not-Quoted ⁽¹⁾	
Value Increases / Impairment Losses (-)	
Other	
Total	

⁽¹⁾ Refers to the debt securities, which are not quoted on the Stock Exchange as at the end of the related period.

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e. Information related to loans:

e.1. Information on all types of loans and advances given to shareholders and employees of the group:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	199,624	196	183,695	175
Total	199,624	196	183,695	175

e.2. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Amendments on Conditions of Contract		Loans and Other Receivables	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
Non-specialized loans	138,948,458	3,172,968	1,733,563	2,228,728	508,827	130,471
Corporation loans	63,799,975	424,621		737,975	80,756 ⁽¹⁾	84,981
Export loans	8,485,476	4,274		68,596	5,570	
Import loans						
Loans Given to Financial Sector	4,884,629			306		
Consumer loans	26,276,750	2,586,141	1,718,032	701,424	125,800	9,780
Credit Cards	10,383,800			372,819	169,188	
Other	25,117,828	157,932	15,531	347,608	127,513	35,710
Specialized Loans						
Other Receivables						
Total	138,948,458	3,172,968	1,733,563	2,228,728	508,827	130,471

⁽¹⁾ The amount of TL 31,609 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	3,108,285	504,989 ⁽¹⁾
Extended for 3,4 or 5 Times	64,404	3,838
Extended for More than 5 Times	279	

⁽¹⁾ The amount of TL 31,609 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
The Time Extended via the Amendment on Payment Plan		
0-6 Months	865,258	29,794
6 Months - 12 Months	614,494	148,626
1-2 Years	1,005,933	110,367
2-5 Years	310,529	117,967 ⁽¹⁾
5 Years and More	376,754	102,073 ⁽¹⁾

⁽¹⁾ The amount of TL 31,609 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

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e.3. Information on consumer loans, retail credit cards, personnel loans and overdraft accounts:

	Short-Term
Consumer Loans-TL	470,141
Real Estate Loans	14,432
Vehicle Loans	17,117
General Purpose Consumer Loans	43,592
Other Consumer Loans	395,000
Consumer Loans – FC Indexed	
Real Estate Loans	
Vehicle Loans	
General Purpose Consumer Loans	
Other Consumer Loans	
Consumer Loans – FC	2,141
Real Estate Loans	
Vehicle Loans	
General Purpose Consumer Loans	
Other Consumer Loans	
Retail Credit Cards-TL	8,632
With Installments	4,175
Without Installments	4,457
Retail Credit Cards-FC	
With Installments	
Without Installments	
Personnel Loans-TL	0
Real Estate Loans	
Vehicle Loans	
General Purpose Consumer Loans	
Other Consumer Loans	0
Personnel Loans- FC Indexed	
Real Estate Loans	
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	120,589
With Installments	59,141
Without Installments	62,448
Personnel Credit Cards-FC	
With Installments	
Without Installments	
Overdraft Accounts – TL (real persons)	306,119
Overdraft Accounts – FC (real persons)	19,555
Total	9,555

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e.4. 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	1,316,637	16,612,930	133,497	18,063,064
Real Estate Loans	2,217	685,153	3,844	691,214
Vehicle Loans	72,130	2,666,948	15,037	2,754,115
General Purpose Commercial Loans	1,236,594	12,911,483	107,665	14,255,742
Other Commercial Loans	5,696	349,346	6,951	361,993
Commercial Loans With Installments-FC	54,211	1,552,989	251,239	1,858,439
Real Estate Loans		82,200	14,186	96,386
Vehicle Loans	1,980	543,258	90,150	635,388
General Purpose Commercial Loans	52,231	895,869	137,292	1,085,392
Other Commercial Loans		31,662	9,611	41,273
Commercial Loans With Installments-FC	34,363	755,079	11,855	801,297
Real Estate Loans		1,681	2	1,683
Vehicle Loans		502		502
General Purpose Commercial Loans	33,255	263,613	2,281	299,149
Other Commercial Loans	1,108	489,283	9,572	499,963
Corporate Credit Cards-TL	794,046	38,003	2,573	834,622
With Installments	225,998	38,003		264,001
Without Installments	568,048		2,573	570,621
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL	793,135		9,234	802,369
Overdraft Accounts – FC (corporate)	89,768	14,897	2,250	106,915
Total	3,082,160	18,973,898	410,648	22,466,706

e.5. Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	138,827,895	112,859,489
Foreign Loans	2,946,092	2,358,994
Total	141,773,987	115,218,483

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e.6. Loans granted to subsidiaries and associates:

Direct Loans Granted to Subsidiaries and Associates
Indirect Loans Granted to Subsidiaries and Associates
Total

e.7. Specific provisions provided against loans:

Specific Provisions
Loans and Receivables with Limited Collectability
Loans and Receivables with Doubtful Collectability
Uncollectible Loans and Receivables
Total

e.8. Information on non-performing loans (Net):

e.8.1. Information on loans and other receivables included in non-performing loans by the Group:

Current Period	
(Gross amounts before the specific provisions)	
Restructured Loans and Other Receivables	
Rescheduled Loans and Other Receivables	
Prior Period	
(Gross amounts before the specific provisions)	
Restructured Loans and Other Receivables	
Rescheduled Loans and Other Receivables	

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e.8.2. 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	281,477	455,384	1,417,621
Corporate and Commercial Loans	139,002	283,250	1,004,164
Retail Loans	87,429	99,747	189,778
Credit Cards	55,046	72,387	176,133
Other			47,546
Additions (+)	1,180,425	31,797	109,914
Corporate and Commercial Loans	576,824	14,402	39,876
Retail Loans	347,657	3,303	57,968
Credit Cards	255,944	14,092	5,650
Other			6,420
Transfers from Other NPL categories (+)		873,614	627,385
Corporate and Commercial Loans		466,434	374,992
Retail Loans		232,419	142,844
Credit Cards		174,761	109,549
Other			
Transfers to Other NPL categories (-)	873,614	627,385	
Corporate and Commercial Loans	466,434	382,241	
Retail Loans	232,419	135,595	
Credit Cards	174,761	109,549	
Other			
Collections (-) ⁽¹⁾	259,425	192,120	366,387
Corporate and Commercial Loans	78,835	79,371	238,028
Retail Loans	112,837	65,878	90,107
Credit Cards	67,753	46,871	35,884
Other			2,368
Write-Offs (-) ⁽¹⁾	149	544	88,553
Corporate and Commercial Loans	8	30	77,024
Retail Loans	74	165	5,030
Credit Cards	67	349	5,822
Other			677
Foreign Currency Effect	1,976	1,880	5,273
Corporate and Commercial Loans	1,126	1,551	4,104
Retail Loans	850	329	1,169
Credit Cards			
Other			
Current Period Ending Balance	330,690	542,626	1,705,253
Corporate and Commercial Loans	171,675	303,995	1,108,084
Retail Loans	90,606	134,160	296,622
Credit Cards	68,409	104,471	249,626
Other			50,921
Specific Provisions (-)	67,269	273,046	1,641,453
Corporate and Commercial Loans	33,648	153,155	1,079,243
Retail Loans	19,806	67,517	261,663
Credit Cards	13,815	52,374	249,626
Other			50,921
Net Balance on Balance Sheet	263,421	269,580	63,800

⁽¹⁾ As at 30 September 2013 loans written-off consist of the portfolio of non-performing loans written off through sales to LBT Varlık Yönetim A.Ş. amounting to TL 87,849 with a sales amount equivalent to TL 10,430.

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e.8.3. Information on the Group's foreign currency non-performing loans:

	Group III
	Loans and Receivables with Limited Collectability
Current Period:	
Period Ending Balance	
Specific Provisions (-)	
Net Balance on Balance Sheet ⁽¹⁾	
Prior Period:	
Period Ending Balance	
Specific Provisions (-)	
Net Balance on Balance Sheet ⁽¹⁾	

⁽¹⁾ In addition to the loans extended in foreign currency, loans which are mortgaged in foreign currency.

e.8.4. Information on gross and net non-performing loans:

	Group III
	Loans and Receivables with Limited Collectability
Current Period (Net)	
Loans to Individuals and Corporate (Gross)	
Specific Provisions (-)	
Loans to Individuals and Corporate (Net)	
Banks (Gross)	
Specific Provisions (-)	
Banks (Net)	
Other Loans and Receivables (Gross)	
Specific Provisions (-)	
Other Loans and Receivables (Net)	
Prior Period (Net)	
Loans to Individuals and Corporate (Gross)	
Specific Provisions (-)	
Loans to Individuals and Corporate (Net)	
Banks (Gross)	
Specific Provisions (-)	
Banks (Net)	
Other Loans and Receivables (Gross)	
Specific Provisions (-)	
Other Loans and Receivables (Net)	

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f. Held to Maturity Investments:

f.1. Information on held to maturity investments, which are given as collateral or blocked:

As at 30 September 2013, held to maturity investments, which are given as collateral or blocked amount to TL 1,149,028 (31 December 2012: TL 1,813,422).

f.2. Information on held to maturity investments, which are subject to repurchase agreements:

As at 30 September 2013, assets held to maturity, which are subject to repurchase agreements amount to TL 4,299,770 (31 December 2012: TL 4,200,685).

f.3. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	7,665,735	11,033,267
Treasury Bills		
Other Public Debt Securities		
Total	7,665,735	11,033,267

f.4. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	7,684,218	11,048,779
Quoted on a Stock Exchange	5,225,496	11,033,267
Not Quoted ⁽¹⁾	2,458,722	15,512
Impairment Losses (-)		
Total	7,684,218	11,048,779

⁽¹⁾ Indicates unlisted debt securities, and debt securities that have not been traded at the end of the related periods although they are listed.

f.5. Movement of held to maturity investments within the period

	Current Period	Prior Period
Beginning Balance	11,048,779	13,707,432
Foreign Exchange Differences Arising on Monetary Assets	1,477	346
Purchases During the Year	20,643	14,913
Disposals through Sales and Redemption	(3,672,929)	(3,064,247)
Impairment Losses (-)		
Valuation Effect	286,248	390,335
Balance at the End of the Period	7,684,218	11,048,779

g. Information on Associates (Net):

g.1. Information on unconsolidated associates: None.

g.2. Information on consolidated associates:

	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	79.42

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Information on financial statements of associates in the above period:

Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income
3,274,666	452,096	28,163	81,741

⁽¹⁾ Includes interest income on securities.

g.3. Movement of investments in consolidated associates:

Beginning balance
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
Capital commitments
Contribution in equity at the end of the period (%)

g.4. Sectoral information on consolidated associates and banks:

Banks
Insurance Companies
Factoring Companies
Leasing Companies
Finance Companies
Other Financial Participations
Total

g.5. Consolidated associates traded on a stock exchange:

g.6. Consolidated associates disposed of in the current period:

g.7. Consolidated associates acquired in the current period:

g.8. Other issues related to associates:

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. was sold all its shares to Beteiligngs GmbH with the value of TL 100,000 and Kurumları A.Ş. to Basri Yılmaz with the value of TL 500,000 obtained.

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h. Information on subsidiaries (Net):

h.1. Information on the significant size of the subsidiaries' equity:

	Türkiye Sınai Kalkınma Bankası A.Ş.	Insurance / Reinsurance Companies	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İş Yatırım Menkul Değerler A.Ş.	İş Finansal Kiralama A.Ş.
SHAREHOLDERS' EQUITY	1,806,524	1,690,213	1,131,626	823,124	600,818
Paid-in Capital	1,300,374	1,465,000	870,146	310,500	424,365
Share Premium			424	1,302	
Reserves	262,346	276,798	19,714	40,378	99,571
Current Period Profit and Prior Periods' Profit	244,559	20,215	241,449	147,031	63,868
Non-Controlling Interest Rights				423,402	14,843
Deductions from Shareholders' Equity (-)	755	71,800	107	99,489	1,829
SUPPLEMENTARY CAPITAL	173,595	131,650		1,845	4,675
CAPITAL	1,980,119	1,821,863	1,131,626	824,969	605,493
DEDUCTIONS FROM THE CAPITAL (-)	360				
CONSOLIDATED CAPITAL	1,979,759	1,821,863	1,131,626	824,969	605,493

h.2. Information on unconsolidated subsidiaries: None.

h.3. Information on consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Rights (%) ⁽¹⁾	Bank's Risk Group Share Percentage (%)
1-	Anadolu Anonim Türk Sigorta Şirketi	İstanbul/Turkey	43.92	56.08
2-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/ Turkey	71.55	28.45
3-	Camiş Menkul Değerler A.Ş.	İstanbul/ Turkey	67.60	32.40
4-	CJSC İşbank	Moskova/Russia	100.00	0.00
5-	Efes Varlık Yönetim A.Ş.	İstanbul/ Turkey	63.96	36.04
6-	Is Investment Gulf Ltd.	Dubai/BAE	67.62	32.38
7-	İş B tipi Yatırım Ortaklığı A.Ş.	İstanbul/ Turkey	22.75	77.25
8-	İş Faktoring A.Ş.	İstanbul/ Turkey	40.73	59.27
9-	İş Finansal Kiralama A.Ş.	İstanbul/Turkey	40.10	59.90
10-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/ Turkey	50.42	49.58
11-	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	İstanbul/ Turkey	33.48	66.52
12-	İş Portföy Yönetimi A.Ş.	İstanbul/ Turkey	65.84	34.16
13-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/ Turkey	67.62	32.38
14-	İşbank AG	Frankfurt/Germany	100.00	0.00
15-	Maxis Securities Ltd.	London/England	67.62	32.38
16-	Milli Reasürans T.A.Ş.	İstanbul/ Turkey	76.64	23.36
17-	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/ Turkey	25.93	74.07
18-	Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/ Turkey	43.01	56.99
19-	Yatırım Finansman Menkul Değerler A.Ş.	İstanbul/ Turkey	41.74	58.26

⁽¹⁾ Indirect share of the Group is considered as the Parent Bank's share percentage.

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Financial statement information related to consolidated subsidiaries:

	Total Assets	Shareholder' Equity	Total Tangible Assets	Interest Income ⁽¹⁾
1-	2,700,881	644,573	78,070	59,134
2-	7,761,532	524,989	26,646	170,193
3-	19,881	3,127	585	967
4-	555,713	110,791	46,033	20,938
5-	106,697	11,501	1,419	9,350
6-	1,698	1,655	239	
7-	267,204	264,645	110	3,580
8-	935,269	68,175	641	38,310
9-	3,107,299	610,667	4,097	134,895
10-	1,460,019	1,131,733	1,089,459	4,520
11-	445,406	302,477	101,629	3,053
12-	78,234	72,230	1,975	3,219
13-	4,886,485	926,713	112,133	141,931
14-	2,455,137	300,321	48,303	76,300
15-	94,064	14,136	771	5,817
16-	1,870,771	678,908	44,212	43,900
17-	360,969	223,577	337,669	894
18-	12,784,757	1,987,799	275,417	473,851
19-	716,541	73,214	2,952	19,060

⁽¹⁾ Includes interest income on securities.

h.4. Movement of investments in subsidiaries:

Balance at the Beginning of the Period
Movements in the Period
Purchases ⁽¹⁾
Bonus Shares Acquired
Dividends Received from the Current Year Profit
Sales
Revaluation Surplus ⁽²⁾
Impairment
Balance at the End of the Period
Capital Commitments
Contribution in equity at the end of the period (%)

⁽¹⁾ The current year balance is due to acquisitions related to the capital increase.

⁽²⁾ The relevant amounts represent the increases and decreases in the market value.

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h.5. Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	1,304,692	1,386,942
Insurance Companies	1,434,425	1,230,445
Factoring Companies		
Leasing Companies	106,154	110,282
Finance Companies		
Other Financial Subsidiaries	643,357	692,465
Total	3,488,628	3,420,134

h.6. Consolidated subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	2,677,528	2,609,034
Traded on foreign stock exchanges		

h.7. Consolidated subsidiaries disposed of in the current period: None.

h. 8. Subsidiaries acquired in the current period: None.

h. 9. Other issues on subsidiaries:

The Bank owned 86.90% shares, which equals to TL 77,776, of the Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.'s capital with the amount of TL 89,500, All shares, owned by the Bank, has been sold to Nemtaş Nemrut Liman İşletmeleri A.Ş, with the value of TL 127,315 and the sales amount has been paid in advance, As a result of this sales process, sales profit has been made with the amount of TL 913.

The Bank owned 99.98% shares, which equals to TL 18,627, of the Mipaş Mümessilik İthalat İhracat ve Pazarlama A.Ş.'s capital with the amount of TL 18,630, All shares, owned by the Bank, has been sold to Nemtaş Nemrut Liman İşletmeleri A.Ş, with the value of TL 87,010 and the sales amount has been paid in advance, As a result of this sales process, sales profit has been made with the amount of TL 55,663.

i. Information on jointly controlled entities (Net):

There are no jointly controlled entities of the Parent Bank.

j. Information regarding finance lease receivables (Net):

j.1. Presentation of finance lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	721,325	605,086	560,948	462,386
1-4 Years	1,052,757	919,568	839,058	724,509
More than 4 Years	238,044	226,484	206,619	194,435
Total	2,012,126	1,751,138	1,606,625	1,381,330

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

	Current Period	Prior Period ⁽¹⁾
Gross Finance Lease Investment	2,012,126	1,606,625
Unearned Finance Revenue from Finance Lease (-)	260,988	225,295
Net Finance Lease Investment	1,751,138	1,381,330

⁽¹⁾ Portfolio of non-performing lease receivables in the current year, part of the 15,931 TL which is consisting of 5,580 TL receivables previously written off transferred to the LBT Varlık Yönetim A.Ş. as a value of TL 189.

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j.3. Presentation of operating lease receivables according to their remaining maturities:

	Gross
Less than 1 Year	
1-4 Years	
More than 4 Years	
Total	

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

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

l. Information on investment property:

Investment properties are properties that the Group holds to earn rental income or for capital appreciation. They are presented in Note XIV.

Acquisition Cost
Balance at the Beginning of the Period
Movements in the Period
- Acquisitions
- Disposals (-)
- Impairment
- Transfers
- Impact of Consolidated Subsidiaries
Balance at the End of the Period
Accumulated Amortization
Balance at the Beginning of the Period
Movements in the Period
- Depreciation Charge (-)
- Disposals
- Impairment
- Transfers
Balance at the End of the Current Period
Net Book Value at the End of the Prior Period
Net Book Value at the End of the Period

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m. Information on deferred tax asset:

As at 30 September 2013, the Parent Bank and the other consolidated Group companies has deferred tax asset amounting to TL 629,196. 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	27,093	26,876
Provisions ⁽¹⁾	(604,705)	(496,153)
Finance Lease Income Accruals	4,229	3,200
Valuation of Financial Assets	(34,633)	(157,305)
Other ⁽²⁾	(21,180)	(80,591)
Net Deferred Tax (Asset)/Liability:	(629,196)	(703,973)

⁽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 287,564 unused investment incentive and TL 23,073 (31 December 2012: TL 42,721) of the "Other" item on the above table consists of the deferred tax amount calculated over the related investment incentive.

n. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Net Book Value at the Beginning of the Period	73,295	60,256
Additions	1,567	1,089
Transfers (Net)	38,372	79,017
Disposals (-) (Net)	(46,885)	(65,753)
Impairment Losses (-)		
Depreciation	(911)	(1,314)
Net Book Value at the End of the Period	65,438	73,295

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 estate's subject to sale are also made by means of newspaper advertisements and similar media.

o. 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 FINANCIAL STATEMENTS

a. Information on Deposits:

a.1. The maturity structure of deposits (Current Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months
Savings Deposits	7,182,840		3,323,438	33,131
Foreign Currency Deposits	7,640,223		5,612,832	20,241
Residents in Turkey	6,450,456		4,908,851	18,111
Residents Abroad	1,189,767		703,981	2,130
Public Sector Deposits	545,992		44,679	26,611
Commercial Deposits	5,807,711		1,680,658	7,611
Other Institutions Deposits	227,289		100,944	2,911
Precious Metals Deposits	2,992,988			
Interbank Deposits	248,808		1,787,016	99,111
The Central Bank of Turkey	8,983			
Domestic Banks	5,872		1,512,046	20,241
Foreign Banks	224,109		274,970	79,111
Participation Banks	9,844			
Other				
Total	24,645,851		12,549,567	65,161

a.2. The maturity structure of deposits (Prior Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months
Savings Deposits	5,580,363		4,031,259	30,161
Foreign Currency Deposits	7,107,652		5,850,945	16,651
Residents in Turkey	6,216,006		5,225,162	15,421
Residents Abroad	891,646		625,783	1,230
Public Sector Deposits	492,556		34,022	82,611
Commercial Deposits	4,967,759		2,398,335	5,181
Other Institutions Deposits	211,261		200,728	6,551
Precious Metals Deposits	2,751,819		116,440	
Interbank Deposits	235,228		842,336	1,501
The Central Bank of Turkey	56,997			
Domestic Banks	7,994		627,516	28,111
Foreign Banks	163,105		214,820	1,221
Participation Banks	7,132			
Other				
Total	21,346,638		13,474,065	60,891

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a.3. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund exceeding the insurance limit:

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits ⁽¹⁾	23,707,457	17,246,503	21,556,066	23,879,880
Foreign Currency Savings Deposits	8,899,021	6,101,391	18,435,570	16,103,380
Other Deposits in the Form of Savings Deposits	2,201,020	1,518,080	955,513	1,205,813
Foreign Branches' Deposits Under Foreign Authorities' Insurance	2,592,435	2,375,931	135,921	103,711
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			28,242	28,337

⁽¹⁾ To be applicable for deposits held by domestic branches, the amount of the deposit insurance limit was increased from TL 50,000 to TL 100,000 by the decision published in the Official Gazette No. 28560 dated 15 February 2013

a.4. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Saving Deposits and Other Accounts	373,409	346,412
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	8,076	9,769
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code Numbered 5237 and Dated 26 September 2004		
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey		

b. **Information on Derivative Financial Liabilities Held for Trading:**

Negative differences on derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	200,966	16,702	13,362	47,436
Swap Transactions	265,615	207,848	372,702	283,920
Futures	317	3	124	
Options	7,997	121,018	6,226	34,645
Other	1,754	5,299	1,302	723
Total	476,649	350,870	393,716	366,724

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c. **Information on Funds Borrowed:**

c.1. Information on banks and other financial institution:

	Current Period
	TL
Funds borrowed from the Central Bank of Turkey	
Domestic banks and institutions	1,452,831
Foreign banks, institutions and funds	1,404,500
Total	2,857,331

c.2. Maturity analysis of funds borrowed:

	Current Period
	TL
Short-term	2,513,161
Medium and Long-term	344,170
Total	2,857,331

c.3. Information on funds borrowed:

Information on funds received through syndicated loans and other borrowings, are given below.

Syndicated loans:

Date of Use	Funds Borrowed
May 2013	USD 441,000,000 + EUR 1,400,000,000
July 2013	USD 15,000,000 + EUR 50,000,000
September 2013	USD 391,000,000 + EUR 1,400,000,000

Securitization deals:

The Parent Bank obtained funds by way of putting on securitization vehicles based on payment rights in USD, EUR and GBP through TIB Divergence receivables based on FC debit and credit card receivables through special purpose vehicles established abroad.

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Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as at 30 September 2013
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 20,000,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 40,655,967
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 64,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 70,000,000
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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	4,057,407		3,487,256	
Bonds	1,292,548	3,725,289	1,191,118	1,797,989
Total	5,349,955	3,725,289	4,678,374	1,797,989

	Current Period	Prior Period
General Loan Loss Provisions	2,230,193	1,705,153
Provision for Group I Loans and Receivables	1,900,410	1,426,251
- Additional Provision for Loans and Receivables with Extended Maturities	167,240	78,367
Provision for Group II Loans and Receivables	88,558	70,237
- Additional Provision for Loans and Receivables with Extended Maturities	13,933	7,257
Provision for Non-cash Loans	151,961	129,773
Other	89,264	78,892

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On the other hand “Provisional Article 39” is added to Social Security Amendment to Social Security and General Health Insurance Law No. 5809 of March 2012 and numbered 28227. According to aforementioned Law, the pension of retired or died before January 2000 and entitled invalidity, disability and members’ payments, which is paid for invalidity or disability, is recalculated. This application will be used from the date of 1 January 2012.

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Below table shows the cash values of premium and salary payments of the Parent Bank as of 31 December 2012, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(4,323,548)	(3,666,014)
Net Present Value of Long Term Insurance Line Premiums	1,779,033	1,562,338
Net Present Value of Total Liabilities Other Than Health	(2,544,515)	(2,103,676)
Net Present Value of Health Liabilities	(581,571)	(482,099)
Net Present Value of Health Premiums	1,014,295	929,964
Net Present Value of Health Liabilities	432,724	447,865
Pension Fund Assets	333,581	317,652
Amount of Actuarial and Technical Deficit	(1,778,210)	(1,338,159)

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	210,692	196,541
Securities Portfolio	96,928	94,007
Other	25,961	27,104
Total	333,581	317,652

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.

h.5.3. Provision of credit cards and promotion of banking services applications

The Bank has recognized provisions amounting to TL 61,150 for the amount which is recognized within the framework of credit card expenses of credit card customers or promotions for banking services. (31.12.2012: TL 53,443)

Except the provision which is stated above, other provision contains provision for expenses, provisions for ongoing lawsuit and other provisions set aside for miscellaneous reasons.

i. Information on Tax Liability:

i.1. Information on current tax liability:

i.1.1. Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in Note XXI of Section Three. The remaining corporate tax liability of the Parent Bank and the consolidated companies after the deduction of the temporary tax amount stands at TL 91,809 as at 30 September 2013.

i.1.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	91,809	394,486
Tax on Securities Income	124,090	100,471
Tax on Real Estate Income	2,461	2,424
Banking Insurance Transaction Tax	74,154	81,768
Foreign Exchange Transaction Tax	49	25
Value Added Tax Payable	3,601	6,417
Other	37,205	33,111
Total	333,369	618,702

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i.1.3. Information on premiums:

Social Security Premiums - Employees
Social Security Premiums – Employer
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
Unemployment Insurance – Employer
Other
Total

i.2. Information on deferred tax liabilities:

The Parent Bank and the consolidated Group companies have related deferred tax liability is calculated over the temporary differences between the carrying amounts and the tax base values calculated according to the records and their tax base values calculated according to

Deferred Tax Liability:

Tangible Assets Tax Base Differences
Provisions ⁽¹⁾
Valuation of Financial Assets
Other

Net Deferred Tax Liability

⁽¹⁾ Comprised of employee benefits provisions.

j. **Information on consolidated shareholders' equity**

i.1. Presentation of paid-in capital:

Common shares
Preferred shares
Total

j.2. Explanation as to whether the registered share capital is equal to the registered share capital:

Capital System	Paid-
Registered Capital System	4,5

j.3. The capital increase made in current period: None.

j.4. Capital increase through transfer from capital reserve

i.5. Significant commitments of the Parent Bank relate

j.5. Significant commitments of the Parent Bank relative to the quarter, the general purpose thereof, and the estimation of future

j.6. Information regarding the shares of the company acquired by the company from its own share.

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j.7. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Group's equity: The Parent Bank's and the Group companies' balance sheets are managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level and this contributes positively to the Group's profitability performance.

j.8. Privileges Granted to Shares:

- Group (A) shares each with a nominal value of 1 Kuruş have the privileges of;
- receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation),
 - exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and
 - 20 voting rights (Article 49 of the Articles of Incorporation).

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kuruş, have the same rights with the Group (C) shares having a nominal value of 4 Kuruş each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kuruş, are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

j.9. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities	1,447,168		1,556,431	
Valuation Difference	1,447,168		1,556,431	
Foreign Exchange Differences				
Financial Assets Available for Sale	(403,007)	53,099	582,156	474,466
Valuation Difference	(501,482)	53,041	735,080	475,221
Deferred Tax Effect on Valuation	98,475	58	(152,924)	(755)
Foreign Exchange Differences				
Total	1,044,161	53,099	2,138,587	474,466

k. Explanations on Non-controlling Interest:

	Current Period	Prior Period
Paid-in Capital	2,006,558	1,846,726
Share Premium	5,406	5,406
Marketable Securities Revaluation Reserve	176,212	215,145
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	1,179	1,179
Legal Reserves	199,515	170,317
Statutory Reserves	47,289	40,389
Extraordinary Reserves	282,800	279,587
Other Profit Reserves	(416)	517
Prior Years' Profit / Loss	(7,881)	(2,011)
Current Year Profit/ Loss ⁽¹⁾	347,764	334,562
Period Ending Balance	3,058,426	2,891,817

⁽¹⁾ Difference between effective and direct shareholding rate was TL 49,659 in the current period (31 December 2012: TL 31,851).

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l. Information on Dividend Distribution:

At the Parent Bank's Ordinary General Meeting, held on 29 March 2013, the following decision was made:

- It was decided to transfer to "Capital Reserves" TL 24,342,310,307 as follows;
- It was decided to transfer to "Capital Reserves" TL 24,342,310,307 as follows;
- It was decided to transfer to distribution amount is based on the net profit of the Bank and its subsidiaries and employees during the period of TL 137,500 within the scope of the distribution.
- It was decided to allocate TL 3,423,462 of the profit, which is as follows:
- TL 665,264 to the Group A, B and C shares in cash,
- TL 4 to founder shares in cash,
- TL 131,350 to the members of the Board, the CEO and the members of the Management Board,
- TL 2,626,844 to be kept as legal and extraordinary reserves.

On 29 March 2013 TL 2,626,844 was transferred to reserves and the remaining amount was transferred to reserves on April 2013.

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

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

a.1. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 17,324,692 and commitment to pay for cheque leaves amounts to TL 6,318,017. The amount of commitment for the forward purchase of assets is TL 1,725,124 and for the forward sale of assets is TL 1,714,025.

a.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items. Commitments are shown in the table of “Off-Balance Sheet Items”.

a.3. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit;

	Current Period	Prior Period
Bank Acceptances	2,314,307	1,298,250
Letters of Credit	5,360,743	5,220,486
Other Guarantees	714,000	631,010
Total	8,389,050	7,149,746

a.4. Certain guarantee provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Letters of Tentative Guarantees	1,064,157	1,114,185
Letters of Certain Guarantees	20,079,158	16,125,063
Letters of Advance Guarantees	4,955,309	3,881,401
Letters of Guarantee Given to Customs Offices	1,381,702	1,053,538
Other Letters of Guarantee	1,198,834	773,274
Total	28,679,160	22,947,461

a.5. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	1,311,557	846,859
With Original Maturity of 1 Year or Less	208,558	175,287
With Original Maturity More Than 1 Year	1,102,999	671,572
Other Non-cash Loans	35,756,653	29,250,348
Total	37,068,210	30,097,207

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a.6. Non-cash Loans classified under Group I and Group I

Non-cash Loans	
Letters of Guarantee	
Bank Acceptances	
Letters of Credit	
Endorsements	
Underwriting Commitments of the Securities Issued	
Factoring Related Guarantees	
Other Guaranties and Warranties	

b. Explanations Related to Contingencies and Com

The balance of the "Other Irrevocable Commitments" as well as the commitments submitted by the Group pursuant to its own obligations to financial institutions in favor of the Parent Bank and the commitmentmen house projects followed, amounts to TL 9,913,315. The commitments, as per the related regulations is amounting to TL 1,045 (full amount) for the cheques that are subject to the Law numbered 5941. The uncollected amount will be followed under the "Protection of Cheque Holders", and up to TL 1,045 (full amount) for the cheques that are subject to the Law numbered 5941. The uncollected amount will be followed under the "Protection of Cheque Holders", and up to TL 1,045 (full amount) for the cheques that are subject to the Law numbered 5941.

According to the decision numbered 11-55/1438 dated 2 November 2013, the enterprises in banking sector, including 12 banks and 2 financial leasing companies, the fourth substance of Law numbered 4054 article number 4, and the 12 banks including the Bank have been decided to fine with open to justice. In the investigation, administrative fine amounting TL 146,656 is calculated. The fines related to the subject to the investigation are compliance with the provisions of administrative fine given by the Competition Board is calculated according to the Misdemeanors Law No. 17 of 5326 Article and was proposed to keep the legal right including the demand refund and suspension of the right. In 2013, the Bank has appealed to Ankara Administrative Court. The decision of the decision. The Bank has not established any provision in the field of

An inspection, which is related to payments (contribution) to "Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı" which is conducted by the Bank Tax Audit Committee Inspection and the relevant legislation.

Investigation was also carried out in this context for the Bankası A.Ş., Milli Reasürans T.A.Ş. and Anadolu Anonim scope of consolidation with the Bank. The inspection report stoppage on payments/stamp duty on behalf of penalty for the benefit with the nature of wage for the foundation members tax penalty notice with the total amount of TL 95,508 million tax/stamp duty for the related report date, was served to the

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b. Explanations Related to Contingencies and Commitments (continued):

Consideration related to subject, the bank's implementation comply with the legislation, conclusion that, there is no legal basis has been reached. Across the country the lawsuit was filed against the mentioned assessments in various tax courts and the cases brought to the tax courts of the first instance, a part of decision has been decided in against of the Bank, a part of decision has been decided in favor of the Bank As of reporting date for a major part of lawsuit, the processes have not been concluded. On the other hand, while the appeal and protest related with the decisions of Court which are against to Bank and Group companies has requested by the Bank and related Group Companies, the decisions which are against the administration has requested by the administration and trial is in progress. As at 30 September, there is not any provision established consolidated financial statements.

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IV. EXPLANATIONS AND FOOTNOTES ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

a. Interest Income

a.1. Information on interest income on loans:

Interest Income on Loans ⁽¹⁾	
Short-term Loans	
Medium and Long-term Loans	
Interest on Non-performing Loans	
Premiums Received from State Resource Utilization Support Fund	
Total	

⁽¹⁾ Includes fee and commission income on cash loans.

a.2. Information on interest income on banks:

The Central Bank of Turkey	
Domestic Banks	
Foreign Banks	
Foreign Head Offices and Branches	
Total	

a.3. Information on interest income from securities:

Interest Income on Financial Assets Held for Trading	
Interest Income on Financial Assets at Fair Value through Profit and Loss	
Interest Income on Financial Assets Available for Sale ⁽¹⁾	
Held to Maturity Investments ⁽¹⁾	
Total	

⁽¹⁾ Total of TL 1,144,282 of interest income from related investments stems from

a.4. Information on interest income received from associates and subsidiaries:

Interest Income from Associates and Subsidiaries	

b. Interest Expense

b.1. Information on interest expense from funds borrowed:

Banks	
Central Bank of Turkey	
Domestic Banks	
Foreign Banks	
Foreign Head Offices and Branches	
Other Institutions	
Total ⁽¹⁾	

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

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

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	15,557	19,888

b.3. Information on interest paid on debt securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued	239,293	177,380	289,611	33,001

b.4. 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	1	16,427	30,101	6,164	272			52,965
Savings Deposits	2	183,466	1,572,850	56,153	25,606	27,317		1,865,394
Public Sector Deposits		1,524	7,285	209	6,947	23		15,988
Commercial Deposits	113	117,747	352,247	32,274	18,105	3,542		524,028
Other Institutions Deposits	5	9,815	232,717	42,416	12,012	371		297,336
Deposits with 7 Days Notice								
Total	121	328,979	2,195,200	137,216	62,942	31,253		2,755,711
FC								
Foreign Currency Deposits	253	74,436	355,904	62,742	21,649	130,729		645,713
Bank Deposits	27	13,010	11,814	1,736	2,024	6,111		34,722
Deposits with 7 Days Notice								
Precious Metals Deposits					889	64		953
Total	280	87,446	367,718	64,478	24,562	136,904		681,388
Grand Total	401	416,425	2,562,918	201,694	87,504	168,157		3,437,099

c. Information on trading income/losses (Net):

	Current Period	Prior Period
Profit	43,828,307	43,215,314
Securities Trading Gains	258,627	858,896
Gains on Derivative Financial Instruments	2,598,561	2,752,496
Foreign Exchange Gains	40,971,119	39,603,922
Losses (-)	43,402,720	42,724,702
Securities Trading Losses	82,926	463,295
Losses on Derivative Financial Instruments	2,817,224	2,983,834
Foreign Exchange Losses	40,502,570	39,277,573
Trading Income/Losses (Net)	425,587	490,612

Income arising from foreign currency changes related to derivative transactions amounting TL 1,629,512, and the losses amounting TL 1,852,168 and the amount of net losses is TL 222,656 (30 September 2012 profit: TL 1,990,740; loss: TL 2,072,963).

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d. Information on other operating income:

As at reporting period, TL 2,390,718 of other operating income is from insurance and reinsurance companies; 93% of which is from the estate and subsidiary which are conducted by the Parent Bank and the amount of TL 111,844 of other operating income comes from sales of Bayek İşletmeciliği A.Ş. ve Mipaş Mümessilik İnşaatı. The remaining of the other operating income are collections on loans for reasons mainly for non-performing loans. The remaining part of the income from customers on various banking services and incomes from other operating income.

In prior period, operating income of insurance and reinsurance companies is TL 2,390,718 and insurance premiums.

e. Information on provision for impairment on loans and other receivables:

Specific Provisions for Loans and Other Receivables
Group III Loans and Receivables
Group IV Loans and Receivables
Group V Loans and Receivables
General Loan Provision Expenses
Provision Expenses for Potential Risks
Impairment Losses on Marketable Securities
Financial Assets at Fair Value through Profit and Loss
Financial Assets Available for Sale
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity
Associates
Subsidiaries
Jointly Controlled Entities
Investments Held to Maturity
Other
Total

⁽¹⁾ Due to the change in the current period, other provision expense figure (and so on) related to prior period has been classified to the other operating income.

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f. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1,913,641	1,699,730
Reserve for Employee Termination Benefits	44,924	33,606
Bank Pension Fund Deficit Provisions		317,400
Impairment Losses on Tangible Assets		
Depreciation Expenses of Tangible Assets	181,161	164,907
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	80,444	54,723
Impairment Losses on Investments Accounted Under Equity Method		
Impairment Losses on Assets to be Disposed	887	840
Depreciation Expenses of Assets to be Disposed	6,038	5,209
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	1,181,683	1,039,776
Operational Lease Related Expenses	143,633	122,942
Repair and Maintenance Expenses	23,549	22,744
Advertisement Expenses	123,109	121,787
Other Expenses	891,392	772,303
Loss on Sale of Assets	104,156	2,891
Other ⁽¹⁾	2,499,704	2,362,649 ⁽²⁾
Total	6,012,638	5,681,731

⁽¹⁾ It was based on the addition of the amount allocated for dividends distributed to employees within the scope of "TAS 19-Employee Benefits.

⁽²⁾ Due to the change in the prior period, other provision expense figure amounting to TL 170,640 (provision for previous year dividend payment and so on) related to prior period has been classified to the other operating expense.

On the table above, TL 1,812,068 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 1,823,131 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.

g. Information on profit/loss before taxes including profit/loss from continuing and discontinued operations

As at 30 September 2013 the amount of the Group's tax provision is TL 671,113 and the amount consists of current tax expense that is amounting to TL 327,841 and consists of deferred tax income amounting TL 343,272.

h. Information on net period profit/loss:

h.1. Income and expense resulting from ordinary banking activities: There is no specific issue required to be disclosed for the Group's performance for the period between 01 January 2013 – 30 September 2013.

h.2. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

h.3. "The other" item which is located at the bottom of received fees and commissions in the income statement consist of various fees and commissions received from transactions such as credit card transactions, capital market transactions and insurance-reinsurance transactions.

h.4. Other items do not exceed 10% of the total amount of the income statement.

j. Net profit / loss of non-controlling Interest:

	Current Period	Prior Period
Net Profit / Loss of Non-controlling Interest	298,105	215,090

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V. EXPLANATIONS AND FOOTNOTES ON THE FINANCIAL STATEMENTS

a. Information on the volume of transactions relating to the Group's risk group and period's profit and loss:

a.1. Information on loans held by the Group's risk group:

Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	
	Cash	Non-Cash
Loans and other receivables		
Balance at the beginning of the period	67,477	1,000,000
Balance at the end of the period	16,045	1,000,000
Interest and commission income received	994	

Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	
	Cash	Non-Cash
Loans and other receivables		
Balance at the beginning of the period	62,291	2,000,000
Balance at the end of the period	67,477	1,000,000
Interest and commission income received	2,980	

a.2. Information on deposits held by the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	
	Current Period	Prior Period
Deposits		
Balance at the beginning of the period	798,050	399,000
Balance at the end of the period	473,220	798,050
Interest expense on deposits	13,885	13,885

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

a.3. Information on forward and option and other similar agreements made with the Group's risk group:

b. Disclosures for the Group's risk group:

b.1. The relations of the Group with corporations in its risk group and under its control regardless of any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b.2. The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 0.43%, while the ratio to the overall assets is 0.26%; the ratio of deposits of the risk group corporations to the overall deposits is 1.94%, while the ratio to overall liabilities is 1.00%. The same pricing policy with third parties is used for the financial services provided to companies in the Parent Bank's risk group.

b.3. Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

Acquisition of properties is generally made through İş Finansal Kiralama A.Ş., one of the Group companies. The Parent Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Parent Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş. Of the 31 mutual funds, which were founded by the Parent Bank, 29 of them are managed by İş Portföy Yönetimi A.Ş. and 2 of them are managed by İş Yatırım Menkul Değerler A.Ş. 22 of the mutual funds, which were founded by Anadolu Hayat Emeklilik A.Ş., are managed by İş Portföy Yönetimi A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

c.	Total salaries and similar benefits paid to the key management personnel

In the current period, the net payment provided to the key management of the Parent Bank amounts TL 12,694 (30 September 2012: TL 11,145).

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

VI. SUBSEQUENT EVENTS

VI. SUBSEQUENT EVENTS

1. Within the framework of the resolution of the Parent security issuance, on October 2013, the Bank have issued nominal of USD 500,000,000 and coupon payments past securities is 21 April 2019, coupon interest rate is 5.5%
2. Within the framework of the resolution of the Bank issuance, on October 2013, the Bank have issued bank days, a nominal value of TL 448,768 a maturity of 180 a maturity of 404 days. The redemption date of the rates are respectively 7.21% (7.39% compounded interest compounded interest).
3. At the board of directors meeting of İş Gayrimenkul consolidation held on 9 October 2013, it was decided Yapı ve Yatırım A.Ş. ("NEF"), an immovable located whose ownership belongs to Türkiye Şişe ve Cam Fab 75% of portion to the behalf of the company and 25% 320.000 exempt from tax

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013
(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	Baa3	Stable	The Highest rating depending on the country ceiling for Turkey in this category.
Long-term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-term Foreign Currency Deposit	P-3	-	It is the highest rating in this category in Turkey's country ceiling.
Short-term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB	Stable	At investment level. Shows that the Bank's credibility is "good".
Long-term Local Currency Issuer Default Rating	BBB	Stable	At investment level. Shows that the Bank's credibility is "good".
Short-term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-term Rating	AAA (tur)	Stable	Shows highest credit quality (national). Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
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.
Short-term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its Financial commitment on the obligation.
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: 20 May 2013, Fitch Ratings: 31 October 2013, Standard & Poor's: 5 April 2013

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

Türkiye Sınai Kalkınma Bankası A.Ş.

MOODY'S

Bank Financial Strength	B
Long-term Foreign Currency Issuer Rating	B
Short-term Foreign Currency Issuer Rating	B
Long-term Local Currency Issuer Rating	B
Short-term Local Currency Issuer Rating	B

FITCH RATINGS

Long-term Foreign Currency Issuer Default Rating	B
Long-term Local Currency Issuer Default Rating	B
Short-term Foreign Currency Issuer Default Rating	B
Short-term Local Currency Issuer Default Rating	B
National Rating	AA
Support Rating	B
Base of Appearance Support Rating	B

The dates below given are on which the TSKB's credit ratings/outlook was last updated:

Moody's: 3 July 2012, Fitch Ratings: 31 October 2013

İş Finansal Kiralama A.Ş.

FITCH RATINGS

Long-term Foreign Currency Issuer Default Rating	B
Long-term Local Currency Issuer Default Rating	B
Short-term Foreign Currency Issuer Default Rating	B
Short-term Local Currency Issuer Default Rating	B
National Long-term Rating	AA
Support Rating	B

The date below given is on which the credit ratings of İş Finansal Kiralama A.Ş. was last updated:

Fitch Ratings: 14 December 2012

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013
(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 Parent Bank's consolidated interim financial statements and footnotes to be disclosed to public as at 30 September 2013 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 7 November 2013, 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 September 2013.

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, 2012 (INCLUDING COMPARATIVE 2011)**

**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Note 1 in Section Three)**

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

We have audited the consolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 31 December 2012 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communications and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our audit opinion.

The accompanying consolidated financial statements as of 31 December 2012 include a general provision amounting TL 1,000,000 thousands, TL 950,000 thousands of which had been recognized as expense in the prior periods and TL 50,000 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2012 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 and Article 38 of the Banking Act No: 5411 and the other regulations, communications and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

İstanbul
14 February 2013

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat ALSAN
Partner, Certified Public Accountant

Additional paragraph for convenience translation to English:

As explained in Note 1 in Section Three, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Türkiye İş Bankası Anonim Şirketi

**Consolidated Financial Statements
As of and For the Year Ended
31 December 2012**

With Independent Auditors' Report Thereon

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

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi
14 February 2013

*This report includes "Independent Auditors' Report"
comprising 1 page and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 106 pages.*

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2012

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul
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Fax: 0212 316 09 00
Web site: www.isbank.com.tr
E-mail: 4440202@isbank.com.tr

The consolidated financial report as of and for the year ended 31 December 2012 prepared in accordance with the communiquéé of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, comprises the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
- INFORMATION ON THE FINANCIAL POSITION OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

Associate and subsidiaries whose financial statements have been consolidated in the consolidated financial report are as follows:

Subsidiaries	Associates
ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ	ARAP-TÜRK BANKASI A.Ş.
ANADOLU HAYAT EMEKLİLİK A.Ş.	
CAMİŞ MENKUL DEĞERLER A.Ş.	
CLOSED JOINT STOCK COMPANY İŞBANK (CJSC İŞBANK)	
EFES VARLIK YÖNETİM A.Ş.	
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 AG	
MAXIS SECURITIES LTD.	
MİLLİ REASÜRANS T.A.Ş.	
TSKB GAYRİMENKUL 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 independent audit and presented as the attached.

Prof. Dr. Savas Taskent Member of the Board and the Audit Committee	Fusun Timsavay Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	H. Ersin Özince Chairman of the Board of Directors
Ali Tolga Ünal Head of Financial Management Division	Mahmut Magemizoğlu Deputy Chief Executive In Charge of Financial Reporting	Adnan Bali Chief Executive Officer

The authorized contact person for questions on this consolidated financial report:

Name – Surname / Title: Süleyman H. Özcan / Head of Investor Relations Division
Phone No : +90 212 316 16 02
Fax No : +90 212 316 08 40
E-mail : Suleyman.Ozcan@isbank.com.tr
investorrelations@isbank.com.tr
Website : www.isbank.com.tr

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TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated)

SECTION ONE: GENERAL INFORMATION ABOUT THE BANK

I. Explanations on the Establishment Date and Initial Changes in the Former Status

Türkiye İş Bankası A.Ş. ("the Bank" or "the Parent Bank") is a bank established in 1930 and has been engaged in banking activities and to initiate and/or participate in all banking activities and to initiate and/or participate in all necessary. The Bank status has not been changed since its establishment.

II. Explanations on the Capital Structure, Shareholders, Undertake the Management and Control of the Parent Bank and the Bank's Risk Group

According to the Central Registry Agency data as of 31 December 2011, Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund (TİB-ŞEK) (Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund) (People's Party-CHP (Atatürk's shares) and 31.18% are on free float (2011: Vakıf 40.43%, CHP 28.09%, free float 31.48%).

III. Explanations on the Chairman's, Directors', Auditors' and Executives' Shares, if any, and the Areas of their Responsibility

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, Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee, Member of the Credit 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
Hüseyin Yalçın	Director
Murat Vulkan	Director
A. Taciser Bayer	Auditor
Kemal Ağanoğlu	Auditor

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Administrative Position
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Özcan Türkakın ⁽¹⁾	Equity Participations, Corporate Communications Management, Member of the Social Responsibility Committee and the Risk Committee
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Suat Ince	Corporate and Commercial Banking Marketing, Sales and Product Management, Free Zone Branches
Serdar Gençer	Banking Operations and Payment Operations, Retail Loan and Card Operations, Foreign Trade and Commercial Loan Operations, Internal Operations Management
Hakan Aran	Alternative Distribution Channels Operations, Information Technology Management
Aydın Süha Önder	Legal Counsellorship, Financial Analysis, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery Management
Levent Korba	Support Services and Purchasing, Construction and Real Estate Management, Branch Network Development
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans and Consumer Loans Underwriting, Credit Risk Management and Portfolio Monitoring, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management, Private Banking Marketing and Sale Management, Member of the Social Responsibility Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, Strategy and Corporate Performance Management and Talent Management
A. Erdal Aral ⁽¹⁾	International Banking, Branches Abroad and Foreign Representative Offices, Capital Markets Management
Senar Akkuş	Economic Research, Treasury Management, Member of the Risk Committee

⁽¹⁾ As of 30 January 2013 Mr. Özcan Türkakın and Mr. A. Erdal Aral resigned from the positions at Bank and Mr. İlhami Koç and Mr. Yılmaz Ertürk are appointed as deputy chief executives.

The Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance

IV. Explanation on the Parent Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,832,622	40.73%	1,832,622	
Cumhuriyet Halk Partisi – Republican People's Party (Atatürk's Shares)	1,264,142	28.09%	1,264,142	

Source: Central Registry Agency

V. Summary Information on the Parent Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Parent Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Explanation about the Institutions Subject to Line-By-Line Method or Proportional Consolidation and Institutions which are Deducted from Equity or not Included in These Three Methods

Bank's are obligated to prepare consolidated financial statements for credit institutions and financial subsidiaries for creating legal restrictions on a consolidated basis based on the "Communiqué on Preparation of Consolidated Financial Statements of Banks" by applying Turkish Accounting Standards. There is not any difference between the related Communiqué and the consolidation operations that is based on Turkish Accounting Standards. The consolidated financial statement includes the subsidiaries of the Bank which are credit institutions or financial institutions accordance with the BRSA regulations. As of current there is no credit institution or financial institution subsidiaries which are excluded in the scope of the consolidation.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

The information about the organizations in the scope of the consolidation is as follows:

The Parent Bank and its subsidiaries;

- ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
- ANADOLU HAYAT EMEKLİLİK A.Ş.
- CAMİŞ MENKUL DEĞERLER A.Ş.
- CİSC İŞBANK
- EFES VARLIK YÖNETİMİ A.Ş.
- İS 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 AG
- MAXIS SECURITIES LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TSKB GAYRİMENKUL 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 following purposes:

- TIB Diversified Payment Rights Finance Company
- TIB Card Receivables Funding Company Limited

are consolidated in the consolidated financial statements in accordance with the Turkish Accounting Standards "Consolidation – Special Purpose Entities".

Consolidated companies are active in the areas of banking, finance leasing, factoring, real estate investment, brokerage and other financial services. Those companies are explained below.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 Istanbul 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).

Camis Menkul Değerler A.Ş.

Founded in 1984, the Company operates in the capital market as a brokerage house.

CJSC İşbank

The Bank, which was founded in 1998 and headquartered in Moscow, has also branches in Volga, Saint-Petersburg, and in Novosibirsk. The Bank gives commercial banking services in the Russian Federation, which mainly consists of deposit, loan and brokerage operations.

Efes Varlık Yönetimi A.Ş.

The field of activity of the company, which was founded in February 2011 is to purchase and sell the receivables and other assets of deposit banks, participation banks and other financial institutions. The Company's headquarter is in Istanbul.

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.

İs 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 Istanbul.

İs 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 Istanbul Stock Exchange (ISE).

İs 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 Istanbul Stock Exchange (ISE) since its establishment.

İs Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Having started its venture capital business in the year 2000, the Company operates in five fields; informatics, sound and communication systems, producing and commerce of orthopedic products, sport clothing and commerce and restaurant management. The company's shares are traded in the Istanbul Stock Exchange (ISE) since the year 2004.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

İş Portföy Yönetimi A.Ş.

The purpose of the Company, which was founded in 2000, is to provide investment management services in accordance with the articles of association. Among the capital market operations, consulting services only to corporate investors.

İş Yatırım Menkul Değerler A.Ş.

The Company's main field of activity is composed of investment management services. The Company's shares are traded in the Istanbul Stock Exchange (ISE) since May 2007.

İş Yatırım Ortaklığı A.Ş.

The field of activity of the Company, which was founded in 2007, is to provide investment management services. The Company's shares are traded in the Istanbul Stock Exchange (ISE) since May 2007. The Company has acquired one of the Group companies, TSKB Yatırım Ortaklığı A.Ş.

İşbank AG

İşbank AG was founded to carry out the banking transactions in Germany, 1 branch in the Netherlands, 1 branch in Bulgaria. The title of the İşbank GmbH has been changed to İşbank AG. The company has been transformed from limited company to joint stock company.

Maxis Securities Ltd.

The purpose of the Company, which was founded in England in 1998, is to provide investment management services in capital markets.

Milli Reasürans T.A.Ş.

The Company, which was founded in 1929 to provide reinsurance services.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

The major field of activity of the Company, which was founded in 2007, is to provide investment management services in real estate, capital market instruments backed by real estate, real estate projects and capital market instruments. The Company's shares are traded in the Istanbul Stock Exchange (ISE) since May 2007.

Türkiye Sınai Kalkınma Bankası A.Ş.

Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) which is an industrial bank, is established to support private sector investments in industry and commerce. The Bank's shares are traded in the Istanbul Stock Exchange (ISE).

Yatırım Finansman Menkul Değerler A.Ş.

The Company, which was founded in Istanbul in 1976 has been operating in the capital market operations since 2007.

VII. Existing or Potential, Actual or Legal Obstacles to the Payment of Dividends by the Parent Bank and its Subsidiaries or the Reimbursement of the Dividends

None.

VIII. Written Policies on Assessment of Ensuring Compliance with the Frequency and Accuracy of the Related Disclosures

The Parent Bank has written policies on assessment of the frequency and accuracy of related disclosures. The Board of Directors' minutes decision numbered 35386 and dated on 28.05.2012 is published on the Bank's website.

TÜRKİYE İŞ BANKASI AŞ

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

SECTION TWO: CONSOLIDATED FINANCIAL STATEMENTS
I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) - ASSETS

		Foot notes	THOUSANDS TL					
			CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-a	2,619,873	13,491,254	16,111,127	5,070,089	8,816,488	13,886,577
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	V-I-b	1,668,204	534,437	2,202,641	1,436,801	981,320	2,418,121
2.1	Financial Assets Held for Trading		1,668,204	534,437	2,202,641	1,436,801	981,320	2,418,121
2.1.1	Government Debt Securities		977,602	5,711	983,313	964,169	12,024	976,193
2.1.2	Equity Securities		195,388	-	195,388	153,621	-	153,621
2.1.3	Derivative Financial Assets Held for Trading		154,780	487,743	642,523	40,368	921,321	961,689
2.1.4	Other Marketable Securities		340,434	40,983	381,417	278,643	47,975	326,618
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	V-I-c	2,842,903	1,708,990	4,551,893	602,461	4,145,445	4,747,906
IV.	MONEY MARKET PLACEMENTS		81,675	-	81,675	128,472	43,141	171,613
4.1	Interbank Money Market Placements		-	-	-	-	43,141	43,141
4.2	Istanbul Stock Exchange Money Market Placements		72,968	-	72,968	120,520	-	120,520
4.3	Receivables from Reverse Repurchase Agreements		8,707	-	8,707	7,952	-	7,952
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	V-I-d	24,817,136	7,356,689	32,173,825	22,218,908	11,338,150	33,557,066
5.1	Equity Securities		134,271	3,209	137,480	67,930	2,957	70,887
5.2	Government Debt Securities		24,337,618	5,777,789	30,115,407	21,987,623	8,457,768	30,445,391
5.3	Other Marketable Securities		345,247	1,575,691	1,920,938	163,355	2,877,433	3,040,788
VI.	LOANS AND RECEIVABLES	V-I-e	73,101,703	42,116,780	115,218,483	60,393,116	38,635,006	99,028,122
6.1	Loans and receivables		72,646,147	42,072,632	114,718,779	60,393,116	38,635,006	99,028,122
6.1.1	Loans to the Bank's Risk Group		300,173	267,004	567,177	124,842	577,347	702,189
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		72,345,974	41,805,628	114,151,602	60,268,274	38,057,659	98,325,933
6.2	Non-Performing Loans		2,030,689	123,793	2,154,482	1,986,423	122,996	2,109,419
6.3	Specific Provisions (-)		1,575,133	79,645	1,654,778	1,986,423	122,996	2,109,419
VII.	FACTORING RECEIVABLES		987,006	27,934	1,014,940	401,382	2,771	404,153
VIII.	INVESTMENTS HELD TO MATURITY (Net)	V-I-f	11,040,338	8,441	11,048,779	13,693,624	13,808	13,707,432
8.1	Government Debt Securities		11,033,267	-	11,033,267	13,686,705	-	13,686,705
8.2	Other Marketable Securities		7,071	8,441	15,512	6,919	13,808	20,727
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-g	778,066	215	778,281	776,804	147	776,951
9.1	Associates Accounted for Using the Equity Method		86,722	-	86,722	74,405	-	74,405
9.2	Unconsolidated Associates		691,344	215	691,559	702,399	147	702,546
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-Financial Investments		691,344	215	691,559	702,399	147	702,546
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-h	3,620,153	-	3,620,153	3,202,087	-	3,202,087
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		3,620,153	-	3,620,153	3,202,087	-	3,202,087
XI.	JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	V-I-i	-	-	-	-	-	-
11.1	Jointly Controlled Entities Accounted for Using the Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Jointly Controlled Entities		-	-	-	-	-	-
11.2.1	Jointly Controlled Financial Entities		-	-	-	-	-	-
11.2.2	Jointly Controlled Non-Financial Entities		-	-	-	-	-	-
XII.	LEASE RECEIVABLES	V-I-j	312,578	1,071,877	1,384,455	224,157	1,152,233	1,376,390
12.1	Finance Lease Receivables		373,251	1,233,374	1,606,625	268,745	1,330,620	1,599,365
12.2	Operating Lease Receivables		3,125	-	3,125	2,278	-	2,278
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		63,798	161,497	225,295	46,866	178,387	225,253
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	V-I-k	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	V-I-l	2,056,546	83,238	2,139,784	2,083,637	83,215	2,166,852
XV.	INTANGIBLE ASSETS (Net)	V-I-m	187,836	1,791	189,627	119,841	511	120,352
15.1	Goodwill		35,974	-	35,974	29,590	-	29,590
15.2	Other		151,862	1,791	153,653	90,251	511	90,762
XVI.	INVESTMENT PROPERTY (Net)	V-I-n	1,108,704	-	1,108,704	1,037,294	-	1,037,294
XVII.	TAX ASSETS	V-I-o	729,844	8,553	738,397	651,686	4,233	655,919
17.1	Current Tax Asset		29,121	5,303	34,424	18,822	1,313	20,135
17.2	Deferred Tax Asset		700,723	3,250	703,973	632,864	2,920	635,784
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-p	73,295	-	73,295	60,256	-	60,256
18.1	Held for Sale		73,295	-	73,295	60,256	-	60,256
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	V-I-q	7,509,778	1,128,902	8,638,680	5,404,327	1,213,912	6,618,239
TOTAL ASSETS			133,535,638	67,539,101	201,074,739	117,505,442	66,430,388	183,935,830

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 (31/12/2012)			PRIOR PERIOD (31/12/2011)		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS							
1.1	Deposits from the Bank's Risk Group							
1.2	Other							
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING							
III.	FUNDS BORROWED							
IV.	MONEY MARKET FUNDS							
4.1	Interbank Money Market Funds							
4.2	Istanbul Stock Exchange Money Market Funds							
4.3	Funds Provided Under Repurchase Agreements							
V.	MARKETABLE SECURITIES ISSUED (Net)							
5.1	Bills							
5.2	Asset-backed Securities							
5.3	Bonds							
VI.	FUNDS							
6.1	Borrower Funds							
6.2	Other							
VII.	MISCELLANEOUS PAYABLES							
VIII.	OTHER LIABILITIES							
IX.	FACTORING PAYABLES							
X.	LEASE PAYABLES (Net)							
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							
11.1	Fair Value Hedges							
11.2	Cash Flow Hedges							
11.3	Net Foreign Investment Hedges							
XII.	PROVISIONS							
12.1	General Loan Loss Provision							
12.2	Provision for Restructuring							
12.3	Reserves for Employee Benefits							
12.4	Insurance Technical Reserves (Net)							
12.5	Other Provisions							
XIII.	TAX LIABILITY							
13.1	Current Tax Liability							
13.2	Deferred Tax Liability							
XIV.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS							
14.1	Operations Held for Sale							
14.2	Discontinued Operations							
XV.	SUBORDINATED LOANS							
XVI.	SHAREHOLDERS' EQUITY							
16.1	Paid-in Capital							
16.2	Capital Reserves							
16.2.1	Share premium							
16.2.2	Share Cancellation Profits							
16.2.3	Marketable Securities Value Increase Fund							
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)							
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							
16.3	Profit Reserves							
16.3.1	Legal Reserves							
16.3.2	Statutory Reserves							
16.3.3	Extraordinary Reserves							
16.3.4	Other Profit Reserves							
16.4	Profit or Loss							
16.4.1	Prior Years' Profit/Loss							
16.4.2	Current Period Profit/Loss							
16.5	Non-controlling Interest							
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY								

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 (31/12/2012)			PRIOR PERIOD (31/12/2011)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		171,268,406	77,815,760	249,084,166	149,467,671	82,688,929	232,156,600
I. GUARANTEES AND SURETYSHIPS	V-III	12,908,107	17,189,100	30,097,207	10,304,859	16,972,227	27,277,086
I.1.Letters of Guarantee		12,753,135	10,194,326	22,947,461	10,195,804	9,728,469	19,924,273
I.1.1.Guarantees Subject to State Tender Law		788,915	2,923,182	3,712,097	559,333	2,315,888	2,875,221
I.1.2.Guarantees Given for Foreign Trade Operations		1,147,044	2,529,524	3,676,568	935,015	1,817,872	2,752,887
I.1.3.Other Letters of Guarantee		10,817,176	4,741,620	15,558,796	8,701,456	5,594,709	14,296,165
I.2.Bank Acceptances		19,739	113,096	129,230	3,628	872,696	876,324
I.2.1.Import Letters of Acceptance		-	-	113,096	-	123,643	123,643
I.2.2.Other Bank Acceptances		19,739	1,165,415	1,185,154	3,628	749,053	752,681
I.3.Letters of Credit		-	5,220,486	5,220,486	-	5,761,529	5,761,529
I.3.1.Documentary Letters of Credit		-	3,899,886	3,899,886	-	4,289,291	4,289,291
I.3.2.Other Letters of Credit		-	1,320,600	1,320,600	-	1,472,238	1,472,238
I.4.Prefinancing Given as Guarantee		-	-	-	-	-	-
I.5.Endorsements		-	-	-	-	-	-
I.5.1.Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
I.5.2.Other Endorsements		-	-	-	-	-	-
I.6.Purchase Guarantees for Securities Issued		-	-	-	-	-	-
I.7.Factoring Guarantees		69,042	18,083	87,125	39,672	4,168	43,840
I.8.Other Guarantees		66,191	477,694	543,885	65,755	605,365	671,120
I.9.Other Suretyships		-	-	-	-	-	-
II. COMMITMENTS		139,641,562	7,115,507	146,757,069	119,068,963	11,961,315	131,030,278
2.1.Irrevocable Commitments		32,236,265	5,466,913	37,703,178	27,247,865	8,912,156	36,160,021
2.1.1.Forward Asset Purchase Commitments		99,081	796,191	895,272	247,677	1,055,617	1,303,294
2.1.2.Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3.Capital Commitment for Associates and Subsidiaries		120	-	120	25,408	-	25,408
2.1.4.Loan Granting Commitments		5,838,616	918,133	6,756,749	5,075,187	4,399,588	9,474,775
2.1.5.Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6.Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.Commitments for Cheque Payments		6,124,562	-	6,124,562	4,914,758	-	4,914,758
2.1.8.Tax and Fund Liabilities from Export Commitments		13,899	-	13,899	10,283	-	10,283
2.1.9.Commitments for Credit Card Expenditure Limits		15,742,457	-	15,742,457	13,172,835	-	13,172,835
2.1.10.Commitments for Credit Cards and Banking Services Promotions		76,548	-	76,548	60,325	-	60,325
2.1.11.Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12.Payables for Short Sale Commitments		52,774	-	52,774	6,510	-	6,510
2.1.13.Other Irrevocable Commitments		4,288,208	3,752,589	8,040,797	3,734,882	3,456,951	7,191,833
2.2.Revocable Commitments		107,405,297	1,648,594	109,053,891	91,821,098	3,049,159	94,870,257
2.2.1.Revocable Loan Granting Commitments		107,405,297	1,648,594	109,053,891	91,821,098	3,049,159	94,870,257
2.2.2.Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		18,718,737	53,511,153	72,229,890	20,093,849	53,755,387	73,849,236
3.1.Derivative Financial Instruments Held for Risk Management		-	-	-	-	-	-
3.1.1.Fair Value Hedges		-	-	-	-	-	-
3.1.2.Cash Flow Hedges		-	-	-	-	-	-
3.1.3.Net Foreign Investment Hedges		-	-	-	-	-	-
3.2.Derivative Financial Instruments Held for Trading		18,718,737	53,511,153	72,229,890	20,093,849	53,755,387	73,849,236
3.2.1.Forward Foreign Currency Buy/Sell Transactions		4,740,295	9,404,096	14,144,391	5,697,408	12,279,532	17,976,940
3.2.1.1.Forward Foreign Currency Buy Transactions		3,386,864	3,699,476	7,086,340	4,624,783	4,366,439	8,991,222
3.2.1.2.Forward Foreign Currency Sell Transactions		1,353,431	5,704,620	7,058,051	1,072,625	7,913,093	8,985,718
3.2.2.Currency and Interest Rate Swaps		11,322,852	35,262,471	46,585,323	12,531,280	33,214,795	45,746,075
3.2.2.1.Currency Swap Buy Transactions		1,260,755	8,659,050	9,919,805	2,686,329	7,574,161	10,260,490
3.2.2.2.Currency Swap Sell Transactions		2,874,097	6,344,991	9,219,088	3,524,951	6,852,196	10,377,147
3.2.2.3.Interest Rate Swap Buy Transactions		3,594,000	10,129,215	13,723,215	3,160,000	9,394,219	12,554,219
3.2.2.4.Interest Rate Swap Sell Transactions		3,594,000	10,129,215	13,723,215	3,160,000	9,394,219	12,554,219
3.2.3.Currency, Interest Rate and Security Options		2,597,625	8,403,163	11,000,788	1,812,128	7,447,115	9,259,243
3.2.3.1.Currency Call Options		1,435,914	2,799,876	4,235,690	906,064	1,476,887	2,382,951
3.2.3.2.Currency Put Options		1,069,761	3,207,375	4,217,136	906,064	1,473,548	2,379,612
3.2.3.3.Interest Rate Call Options		60,000	1,197,956	1,257,956	-	2,248,340	2,248,340
3.2.3.4.Interest Rate Put Options		60,000	1,197,956	1,257,956	-	2,248,340	2,248,340
3.2.3.5.Securities Call Options		16,032	-	16,032	-	-	-
3.2.3.6.Securities Put Options		16,018	-	16,018	-	-	-
3.2.4.Currency Futures		16,146	20,980	37,126	22,504	24,251	46,755
3.2.4.1.Currency Buy Futures		16,146	3,180	19,326	8,909	14,631	23,540
3.2.4.2.Currency Sell Futures		-	17,800	17,800	13,595	9,620	23,215
3.2.5.Interest Rate Futures		-	-	-	-	-	-
3.2.5.1.Interest Rate Buy Futures		-	-	-	-	-	-
3.2.5.2.Interest Rate Sell Futures		-	-	-	-	-	-
3.2.6.Other		41,819	420,443	462,262	30,529	789,694	820,223

TÜRKİYE İŞ BANKASI AŞ

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

III. CONSOLIDATED OFF-BALANCE SHEET ITEMS

	Footnotes	T
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		236,116
IV. ITEMS HELD IN CUSTODY		116,211
4.1.Customers' securities held		79,211
4.2.Investment securities held in custody		11,211
4.3.Cheques received for collection		2,211
4.4.Commercial notes received for collection		2,211
4.5.Other assets received for collection		1,211
4.6.Assets received for public offering		1,211
4.7.Other items under custody		1,211
4.8.Custodians		1,211
V. PLEDGED ITEMS		119,119
5.1.Marketable securities		1,119
5.2.Guarantee notes		3,119
5.3.Commodity		29,119
5.4.Warranty		1,119
5.5.Real Estates		77,119
5.6.Other pledged items		5,119
5.7.Pledged items-depository		1,119
VI. ACCEPTED BILL GUARANTEES AND SURETIES		1,119
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		407,235

TÜRKİYE İŞ BANKASI AŞ

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

IV. CONSOLIDATED INCOME STATEMENT

	Footnotes	THOUSANDS TL	
		CURRENT PERIOD (01/01-31/12/2012)	PRIOR PERIOD (01/01-31/12/2011)
I. INTEREST INCOME	V-IV-a	14,676,856	12,081,352
1.1 Interest Income on Loans		10,129,963	7,498,817
1.2 Interest Income on Reserve Deposits		-	-
1.3 Interest Income on Banks		199,780	194,132
1.4 Interest Income on Money Market Placements		7,762	5,176
1.5 Interest Income on Marketable Securities Portfolio		4,135,462	4,220,638
1.5.1 Financial Assets Held for Trading		99,255	63,911
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3 Financial Assets Available for Sale		2,494,658	2,392,929
1.5.4 Held to Maturity Investments		1,541,549	1,763,798
1.6 Finance Lease Income		107,110	102,550
1.7 Other Interest Income		96,779	60,039
II. INTEREST EXPENSE	V-IV-b	7,834,591	6,664,356
2.1 Interest on Deposits		5,409,094	4,931,769
2.2 Interest on Funds Borrowed		417,738	373,450
2.3 Interest on Money Market Funds		1,476,204	1,109,917
2.4 Interest on Securities Issued		454,618	209,706
2.5 Other Interest Expense		76,937	39,514
III. NET INTEREST INCOME / EXPENSE (I - II)		6,842,265	5,416,996
IV. NET FEES AND COMMISSIONS INCOME / EXPENSE		1,258,319	1,102,726
4.1 Fees and Commissions Received		2,081,434	1,788,674
4.1.1 Non-cash Loans		194,994	141,504
4.1.2 Other		1,886,440	1,647,170
4.2 Fees and Commissions Paid		823,115	685,948
4.2.1 Non-cash Loans		9,673	6,359
4.2.2 Other		813,442	679,589
V. DIVIDEND INCOME	V-IV-c	205,032	171,477
VI. TRADING INCOME / LOSS (NET)	V-IV-d	871,070	446,913
6.1 Gains/Losses on Securities Trading		767,177	132,031
6.2 Derivative Financial Transactions Gains/Losses		(295,502)	314,865
6.3 Foreign Exchange Gains/Losses		399,395	17
VII. OTHER OPERATING INCOME	V-IV-e	4,559,561	4,060,685
VIII. TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII)		13,736,247	11,198,797
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-f	1,291,545	1,494,935
X. OTHER OPERATING EXPENSES (-)	V-IV-g	7,783,373	6,615,795
XI. NET OPERATING INCOME / EXPENSE (VIII-IX-X)		4,661,329	3,088,067
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		12,317	9,842
XIV. NET MONETARY POSITION GAIN/LOSS		-	-
XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...-XIV)		4,673,646	3,097,909
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (+)	V-IV-h	958,912	708,541
16.1 Current Tax Provision		1,263,465	395,096
16.2 Deferred Tax Provision		(304,553)	313,445
XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV+XVI)		3,714,734	2,389,368
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on Assets Held for Sale		-	-
18.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
18.3 Other Income on Discontinued Operations		-	-
XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
19.1 Expense on Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
19.3 Other Expense on Discontinued Operations		-	-
XX. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (+)	V-IV-i	-	-
21.1 Current Tax Provision		-	-
21.2 Deferred Tax Provision		-	-
XXII. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII. NET PERIOD PROFIT/LOSS (XVII+XXII)	V-IV-j	3,714,734	2,389,368
23.1 Group's Profit / Loss		3,412,022	2,271,539
23.2 Non-controlling Interest (-)		302,712	117,829
Earnings Per Share (in full TL)		0.030328478	0.020191054

TÜRKİYE İŞ BANKASI AŞ

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

V. CONSOLIDATED STATEMENT OF INCOME AND SHAREHOLDERS' EQUITY

I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUN	
AVAILABLE FOR SALE	
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	
IV. TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSAC	
V. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CAS	
of the Changes in Fair Value)	
VI. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET	
(Effective Portion of the Changes in Fair Value)	
VII. THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES	
VIII. OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHO	
WITH TAS	
IX. DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREAS	
X. NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHO	
XI. PROFIT/LOSS FOR THE PERIOD	
11.1 Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	
11.2 The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassi	
Statement	
11.3 The Portion of Derivative Financial Assets Held for Net Foreign Investment Hec	
Income Statement	
11.4 Other	
XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X+XI)	

TÜRKİYE İŞ BANKASI AŞ

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

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Footnotes V-V	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participation	Hedge Reserves	Accumulated Res. Reserve on Sale and Discontinued Operation	Total Shareholders' Equity Except Non-controlling Interest	Non- controlling Interest	Total Equity
I. Beginning Balance		4,500,000	1,615,938	33,937		1,610,119	28,293	4,312,543	(32,835)		3,028,597	1,241,479		(1,179)			16,336,892	2,649,763	18,986,655
II. Corrections Made According to TAS 8																			
2.1.The Effect of Corrections of Errors																			
2.2.The Effect of Changes in Accounting Policies																			
III. Adjusted Beginning Balance (I-II)		4,500,000	1,615,938	33,937		1,610,119	28,293	4,312,543	(32,835)		3,028,597	1,241,479		(1,179)			16,336,892	2,649,763	18,986,655
Changes During the Period																			
IV. Increase/Decrease Due to Mergers																		100	100
V. Marketable Securities Value Increase Fund												(81,573)					(81,573)	(211,590)	(293,163)
VI. Hedge Reserves (Effective Portion)																			
6.1. Cash Flow Hedges																			
6.2. Net Foreign Investment Hedges																			
VII. Revaluation Surplus on Tangible Assets																			
VIII. Revaluation Surplus on Intangible Assets																			
IX. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)																			
X. Translation Differences																			
XI. The Effect of Disposal of Assets											143,157						143,157	(1,518)	141,639
XII. The Effect of Reclassification of Assets																			
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																			
XIV. Capital Increase																			
14.1.Cash																			
14.2.Internal Sources																			
XV. Share Issue																			
XVI. Share Cancellation Profits																			
XVII. Paid-in-Capital Inflation Adjustment																			
XVIII. Other							114		536		106						756	(2,390)	(1,640)
XIX. Net Profit / Loss for the Period										2,271,539							2,271,539	117,829	2,389,368
XX. Profit Distribution							228,597	11,293	2,050,185		(3,120,727)						(830,652)	(81,738)	(912,390)
20.1. Dividend Paid											(830,652)						(830,652)	(81,738)	(912,390)
20.2. Transfer to Reserves							228,597	11,293	2,050,185		(2,290,075)								
20.3. Other																			
Ending Balance (III+IV+V+...+XVIII-XXIX+XX)		4,500,000	1,615,938	33,937	-	1,838,830	39,586	6,363,264	110,322	2,271,539	(92,024)	1,159,906	-	(1,179)	-	-	17,840,119	2,470,450	20,310,569

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TÜRKİYE İŞ BANKASI AŞ

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

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

	Footnotes																			
CURRENT PERIOD (31/12/2012)		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 Res. Reserve on Assets Held for Sale and Discontinued Operations	Total Shareholders' Equity Except Non- controlling Interest	Non- controlling Interest	Total Equity	
I. Beginning Balance		4,500,000	1,615,938	33,937	-	1,838,830	39,586	6,363,264	110,322	-	2,179,515	1,159,906		(1,179)	-	-	17,840,119	2,470,450	20,310,569	
Changes During the Period																				
II. Increases / Decreases Due to Mergers																				
III. Marketable Securities Value Increase Fund												1,453,147					1,453,147	197,702	1,650,849	
IV. Hedge Reserves (Effective Part)																				
4.1 Cash-flow Hedge																				
4.2 Net Foreign Investment Hedges																				
V. Revaluation Surplus on Tangible Assets																				
VI. Revaluation Surplus on Intangible Assets																				
VII. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)																				
VIII. Translation Differences									(106,500)								(106,500)	447	(106,053)	
IX. The Effect of Disposal of Assets																				
X. The Effect of Reclassification of Assets																				
XI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																				
XII. Capital Increase																				
12.1 Cash																				
12.2 Internal Sources																				
XIII. Share Premium																				
XIV. Share Cancellation Profits																				
XV. Paid-in-Capital Inflation Adjustment																				
XVI. Other ⁽¹⁾					3		229		1,754		(200)						1,786	(6,386)	(4,600)	
XVII. Net Profit / Loss for the Period										3,412,022							3,412,022	302,712	3,714,734	
XVIII. Profit Distribution						192,250	8,967	1,953,972			(2,788,823)						(633,636)	(73,100)	(706,744)	
18.1 Dividend Paid											(633,636)						(633,636)	(73,100)	(706,744)	
18.2 Transfer to Reserves						192,250	8,967	1,953,972			(2,155,189)						-		-	
18.3 Other																				
Ending Balance (I+II+III+...+XVI-XVII+XVIII)		4,500,000	1,615,938	33,940	-	2,031,209	48,553	8,318,990	3,822	3,412,022	(609,510)	2,615,053	-	(1,179)	-	-	21,966,938	2,801,817	24,858,755	

⁽¹⁾ Represents changes in Group's shares.

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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 (01/01-31/12/2012)	PRIOR PERIOD (01/01-31/12/2011)
A. CASH FLOWS FROM BANKING OPERATIONS	V-VI		
I.1. Operating Profit Before Changes in Operating Assets and Liabilities		9,850,562	3,342,190
I.1.1. Interest Received		14,771,595	10,711,823
I.1.2. Interest Paid		(7,627,400)	(6,377,928)
I.1.3. Dividend Received		85,338	46,458
I.1.4. Fees and Commissions Received		2,081,434	1,788,674
I.1.5. Other Income		4,764,945	3,131,354
I.1.6. Collections from Previously Written Off Loans and Other Receivables		630,792	977,960
I.1.7. Cash Payments to Personnel and Service Suppliers		(3,436,983)	(3,437,169)
I.1.8. Taxes Paid		(1,247,853)	(486,683)
I.1.9. Other		(171,306)	(3,012,299)
I.2. Changes in Operating Assets and Liabilities		(20,766,090)	(10,514,576)
I.2.1. Net (Increase) Decrease in Financial Assets Held for Trading		(72,101)	65,217
I.2.2. Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		-	-
I.2.3. Net (Increase) Decrease in Due From Banks		(4,834,446)	(3,828,083)
I.2.4. Net (Increase) Decrease in Loans		(18,466,813)	(24,881,919)
I.2.5. Net (Increase) Decrease in Other Assets		(1,952,338)	(930,387)
I.2.6. Net Increase (Decrease) in Bank Deposits		772,462	(563,132)
I.2.7. Net Increase (Decrease) in Other Deposits		5,209,444	5,961,556
I.2.8. Net Increase (Decrease) in Funds Borrowed		(167,742)	2,829,517
I.2.9. Net Increase (Decrease) in Matured Payables		-	-
I.2.10. Net Increase (Decrease) in Other Liabilities		(1,254,556)	10,832,655
I. Net Cash Provided From Banking Operations		(10,915,528)	(7,172,386)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / Used in Investing Activities		4,733,678	4,099,874
2.1. Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(78,799)	(68,457)
2.2. Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		53,924	61,946
2.3. Tangible Asset Purchases		(408,240)	(307,814)
2.4. Tangible Asset Sales		259,054	245,341
2.5. Cash Paid for Purchase of Financial Assets Available for Sale		(16,365,742)	(17,699,919)
2.6. Cash Obtained from Sales of Financial Assets Available for Sale		18,395,523	21,253,406
2.7. Cash Paid for Purchase of Investment Securities Held to Maturity		(14,913)	(34,227)
2.8. Cash Obtained from Sales of Investment Securities Held to Maturity		3,032,888	742,972
2.9. Other		(140,017)	(93,374)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / Used in Financing Activities		3,471,576	2,540,196
3.1. Cash Obtained from Funds Borrowed and Securities Issued		10,103,585	5,543,230
3.2. Cash Used for Repayment of Funds Borrowed and Securities Issued		(5,925,265)	(2,090,744)
3.3. Equity Instruments		-	-
3.4. Dividends Paid		(706,744)	(912,390)
3.5. Payments for Finance Leases		-	-
3.6. Other		-	100
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(194,415)	528,431
V. Net Increase / (Decrease) in Cash and Cash Equivalents		(2,904,689)	(3,885)
VI. Cash and Cash Equivalents at Beginning of the Period		11,487,928	11,491,813
VII. Cash and Cash Equivalents at End of the Period		8,583,239	11,487,928

TÜRKİYE İŞ BANKASI AŞ*(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)***VIII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION**

LDISTRIBUTION OF CURRENT YEAR PROFIT ⁽¹⁾
1.1. CURRENT PERIOD PROFIT
1.2. TAXES AND DUES PAYABLE (-)
1.2.1. Corporate Tax (Income Tax)
1.2.2. Income Tax Withholding
1.2.3. Other Taxes and Dues Payable ⁽²⁾
A. NET PROFIT FOR THE PERIOD (1.1-1.2)
1.3. PRIOR YEARS' LOSSES (-)
1.4. FIRST LEGAL RESERVES (-)
1.5. OTHER STATUTORY RESERVES (-)
B. NET PROFIT ATTRIBUTABLE TO [(A)-(1.3+1.4+1.5)]
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)
1.6.1. To Owners of Ordinary Shares
1.6.2. To Owners of Preferred Shares
1.6.3. To Preferred Shares (Preemptive Rights)
1.6.4. To Profit Sharing Bonds
1.6.5. To Holders of Profit / Loss Share Certificates
1.7. DIVIDENDS TO PERSONNEL (-)
1.8. DIVIDENDS TO THE BOARD OF DIRECTORS (-)
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)
1.9.1. To Owners of Ordinary Shares
1.9.2. To Owners of Preferred Shares
1.9.3. To Preferred Shares (Preemptive Rights)
1.9.4. To Profit Sharing Bonds
1.9.5. To Holders of Profit / Loss Share Certificates
1.10. SECOND LEGAL RESERVES (-)
1.11. STATUTORY RESERVES (-)
1.12. EXTRAORDINARY RESERVES
1.13. OTHER RESERVES
1.14. SPECIAL FUNDS
II. DISTRIBUTION FROM RESERVES
2.1. DISTRIBUTED RESERVES
2.2. SECOND LEGAL RESERVES (-)
2.3. DIVIDENDS TO SHAREHOLDERS (-)
2.3.1. To Owners of Ordinary Shares
2.3.2. To Owners of Preferred Shares
2.3.3. To Preferred Shares (Preemptive Rights)
2.3.4. To Profit Sharing Bonds
2.3.5. To Holders of Profit / Loss Share Certificates
2.4. DIVIDENDS TO PERSONNEL (-)
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)
III. EARNINGS PER SHARE
3.1. TO OWNERS OF ORDINARY SHARES ⁽³⁾
3.2. TO OWNERS OF ORDINARY SHARES (%)
3.3. TO OWNERS OF PREFERRED SHARES ⁽³⁾
3.4. TO OWNERS OF PREFERRED SHARES (%)
IV. DIVIDEND PER SHARE
4.1. TO OWNERS OF ORDINARY SHARES ⁽³⁾
4.2. TO OWNERS OF ORDINARY SHARES (%)
4.3. TO OWNERS OF PREFERRED SHARES ⁽³⁾
4.4. TO OWNERS OF PREFERRED SHARES (%)

(1) The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting

(2) The amount included in Other Taxes and Dues Payable refers to Deferred Tax Income this year and

(3) Expressed in full TL

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 Banking Applications for Banks and Safeguarding of Documents and other communiqués and interpretations of Banking Regulatory and Supervisory Agency ("BRSA") on accounting and financial reporting.

Accounting policies and measurement principles used in the preparation of the consolidated financial statements are presented in detail below:

2. Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

II. Strategy for Use of Financial Instruments and on Foreign Currency Transactions

1. The Group's Strategy on Financial Instruments

The Group's main financial activities comprise a wide range of activities such as banking, insurance and reinsurance services, brokerage services, real estate portfolio management, financial lease, factoring services, portfolio management. The liabilities on the Group's balance sheet are mainly composed of relatively short-term deposits, parallel to general liability structure of the banking system, which is its main field of activity. As for the non-deposit liabilities, funds are collected through medium and short-term instruments. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Parent Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey (CBT). The liquidity of the Group and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the developments in the sector fixed and floating rate placements are made according to the yields of alternative investment instruments.

By taking into account the global and national economic outlook, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity, credit and currency risks, the Group's placements are focused on high yielding and low risk assets and safety principle has always been the top priority. Generally a pricing policy aiming at high return is implemented in the long-term placements of the Group, and attention is paid to the maximum use of non-interest income generation opportunities.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Parent Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Parent Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Parent Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits specified by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

2. Foreign Currency Transactions

The financial statements of the Parent Bank's branches and prepared in functional currency prevailing in the economy consolidated, they are presented in TL, which is the functional presentation of the financial statements.

Foreign currency monetary assets and liabilities on the balance sheet are converted into Turkish Lira by the prevailing exchange rates at the balance sheet date. Non-monetary assets and liabilities are converted into Turkish Lira by the rates at the date of the transaction. Income and expenses arising from the conversions of monetary foreign currency items are recorded in the income statement. Transactions and transactions are reflected to the income statement. In accordance with the provisions of the "Ratings", net investments in non-domestic companies are converted into Turkish Lira at historical cost and converted into Turkish Currency at the closing rate of the Turkish Lira with TAS 29 "Financial Reporting In Hyperinflationary Economies". The inflation indices prevailing between the date of transaction and the date of the transaction (December 2004, and it is accounted by allocating provision for inflation).

While the Parent Bank and Türkiye Sınai Kalkınma Bankası use the average of the daily foreign currency exchange rates for their foreign currency transactions, the Bank uses the daily CBT rates for their foreign currency transactions.

Assets and liabilities of the foreign branches of the Parent abroad are converted into TL by using the prevailing exchange rates converted by at exchange rates at the dates of the transaction converted into TL at average foreign currency rates as long as during the period. The exchange rate differences arising from account under the shareholders' equity.

III. Explanation on the Consolidated Companies

1. Basis of Consolidation:

The consolidated financial statements have been prepared in
Related to Regulation on the Preparation of the Consolidate
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 members of the board of directors through direct or indirect possession of or the right to the requirement of owning minimum fifty-one per cent of its capital, or the right to exercise the right as a consequence of holding privileged shares or of a majority of capital.

As per the “Communiqué Related to the Preparation of Consolidated Financial Statements” published in the Official Gazette numbered 26340 dated 8 November 2006, a company is not required to prepare consolidated financial statements if it is not qualified as credit institutions or financial institutions, except for companies whose consolidated subsidiaries is given in Section Five. Note I.h.3

Under full consolidation method, the assets, liabilities, income and expenses of the subsidiaries are combined with the equivalent items of the Parent Bank. The Group's investment in each of the subsidiaries and the Group's portion of the subsidiaries' transactions and balances between the Parent Bank and its subsidiaries are eliminated. The Group's controlling interests in the net income and in the equity of the subsidiaries are included in the Group's net income and the Group's shareholders' equity balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary is not a bank, the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements to conform to the accounting policy of the Parent Bank, except for 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 joint ventures in consolidated financial statements:

Equity securities recognized as subsidiaries, associates and joint ventures 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 held in the consolidated financial statements with their fair values by the Parent Bank (stock market). Subsidiaries and associates whose shares are held in the consolidated financial statements at their cost of acquisition and these assets are shown in the consolidated financial statements in deduction of, impairment losses, if any.

IV. Forward, Options and Other Derivative Transactions:

Derivative transactions of the Group consist of foreign currency options and interest rate options. The Group has no derivative transactions.

Derivative transactions are carried at their fair values at the reporting periods. These transactions are followed under off-balance sheet accounting in the reporting periods following their recording and the valuation of these transactions is determined in accordance with the TAS 39 “Financial Instruments: Recognition and Measurement” and “Derivative Financial Assets Held for Trading” and “Derivative Financial Liabilities” being positive or negative. Although some derivative transactions meet all the definition requirements of hedge accounting in accordance with TAS 39 “Financial Instruments: Recognition and Measurement” held for trading. The valuation differences arising from the derivative transactions are recorded in the consolidated income statement.

On off-balance sheet items table, options which generated assets and liabilities and which generated liabilities are presented under “put options” and “call options” respectively.

V. Interest Income and Expenses

Interest income and expenses are recognized on an accrual basis. Interest income earned on the future cash flows of a financial asset or liability to its present value is recognized in accordance with the TAS 39 “Financial Instruments: Recognition and Measurement”.

In accordance with the related legislation, realized and unrealized interest income and interest income related to these loans are recorded in the consolidated income statement.

VI. Fee and Commission Income and Expenses

Fees and commission income and expenses are recorded either on an accrual basis or on a cash basis. Income earned in return for services rendered contractually by the Parent Bank to a third party real person or corporate body are recognized in the consolidated income statement.

VII. Financial Assets

Financial assets are comprised of cash, contractual rights to receive cash or another financial instrument with the counterparty, or the capital in the Parent Bank management’s purpose of holding, the financial assets are measured at fair value through Profit And Loss, “Financial Assets Available for Sale” and “Financial Assets Held for Trading”.

1. Cash and Banks

Cash consists of cash in vault, foreign currency cash, money market investments, currency cash and banks are shown in the balance sheet by their carrying values on the balance sheet date. The carrying values of both the cash and banks are shown in the balance sheet by their carrying values on the balance sheet date.

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

a. Financial Assets at Fair Value through Profit And Loss

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.

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

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.1. Financial Assets Available for Sale

b.2. Held to Maturity Investments

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.

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

Loans and receivables represent unquoted financial assets in the debtor with fixed or determinable payments.

Foreign currency indexed consumer and corporate loans are recorded at the opening exchange rates. At the subsequent periods, increases or decreases in the foreign currency income and expense accounts in the income statement are recognized under the higher or lower than opening date rates. Repayments are calculated at the opening exchange rates. Exchange differences are recognized under the foreign currency income and expense accounts.

At each balance sheet date, the Group companies evaluate financial assets to determine whether there is an objective indication of impairment. If such indication exists, the Group determines the related impairment amount and recognizes the impairment in the profit or loss.

When a decline occurs in the fair values of the "financial assets and liabilities measured at fair value," increases are recognized in equity, the accumulated profit/loss, and the amount of the impairment loss is reversed, with the amount of the reversal recorded in equity to period profit or loss. If, in a subsequent period, the fair value of the financial asset or liability impairment loss is reversed, with the amount of the reversal recorded in equity to period profit or loss.

Loans are classified and followed in line with the provisions of the Accounting Standards for Financial Instruments and Principles and Procedures on the Allocation of Loan and Numbered 26333 dated 1 November 2006. While the Parent Bank has classified its loans and other receivables as non-performing loans and other receivables, considering the provisions of the Accounting Standards for Financial Instruments, provision has been amended accordingly, since the third of the Accounting Standards for Financial Instruments, the Parent Bank allocate specific provisions in accordance with the minimum amount of specific provisions of the Accounting Standards for Financial Instruments. The Parent Bank's Accounting Standards for Financial Instruments Group for the financial leasing and factoring operations for the Financing Companies Communiqué on Principles and Procedures for the Accounting Standards for Financial Instruments, the provision is made and published on the Official Gazette of the Republic of Turkey. The provisions released in the income statement, reflected in the income statement. Provisions released in the income statement, the remaining part of the provisions in the "Other provisions" account.

Other than specific allowances, the Parent Bank and the other companies have classified their loans and other receivables as "general allowances" for loan and other receivables classified as non-performing loans and other receivables. The Parent Bank's Accounting Standards for Financial Instruments Group for the financial leasing and factoring operations for the Financing Companies Communiqué on Principles and Procedures for the Accounting Standards for Financial Instruments, the provision is made and published on the Official Gazette of the Republic of Turkey. The provisions released in the income statement, reflected in the income statement. Provisions released in the income statement, the remaining part of the provisions in the "Other provisions" account.

A financial asset and a financial liability shall be offset and

when a party currently has a legally enforceable right to set o

basis or to realize the asset and settle the liability simultaneo

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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 Parent Bank’s portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under “Funds from Repurchase Transactions” account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the “Receivables from Reverse Repurchase Transactions” account. For the difference between the purchase and resale prices determined by the reverse Repurchase agreements for the period; income accrual is calculated using the internal rate of return method.

XI. Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell and presented in the financial statements separately. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. Goodwill and Other Intangible Assets

The Group’s intangible assets consist of consolidation goodwill, software programs and rights.

Goodwill arising from the acquisition of a subsidiary or joint venture represents the excess of cost of acquisition over the fair value of Group’s share of the identifiable assets, liabilities, or contingent liabilities of the acquired subsidiary or joint venture at the date of acquisition of the control. Goodwill is recognized as an asset at cost and then carried at cost less accumulated impairment losses. In impairment-loss test, goodwill is allocated between the Group’s every cash-generating unit that is expected to benefit from the synergies of the business combination. To control whether there is an impairment loss in the cash-generating units that goodwill is allocated, impairment- loss test is applied every year or more often if there is indications of impairment loss. In the cases, recoverable amount of cash-generating unit is smaller than its book value; impairment loss is firstly used in reduction of book value of the cash-generating unit, and then the other assets proportionally. Goodwill which is allocated for the impairment losses could not be reversed. When a subsidiary or joint venture is to be sold, related goodwill amount is combined with the profit/loss relating to this disposal. Positive goodwill arising from the Group’s investments in its subsidiaries is recognized in Intangible Assets. Explanations on consolidation goodwill are given in note III.1.a. in Section Three.

As for other intangible assets, the purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 “Impairment of Assets” and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Such assets are amortized by the straight-line method in a period between 1-15 years considering their useful life. The amortization method and period are periodically reviewed at the end of each year.

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XIII. Tangible Assets

Tangible assets purchased before 1 January 2005, are presented at their acquisition costs as at 31 December 2004, and the items purchased after 1 January 2005, are presented at their acquisition costs less accumulated amortization and impairment provisions. The recoverable amount of the related intangible asset is estimated at the end of each year and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Assets under construction for leasing or for administrative use, whose useful lives cannot be determined, are amortized when they are ready for use.

The acquisition costs of tangible assets other than the land and buildings are amortized by the straight-line method, according to their estimated useful lives. The estimated useful lives and amortization are reviewed every year for the possible effects of changes in the estimates, they are recognized prospectively.

Assets acquired through finance lease are amortized at the straight-line method over their shorter.

Costs of operational lease development are amortized at the straight-line method over their shorter. In case, the period of benefit cannot exceed the period of lease, the amortization period is considered to be 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets and the book value of the tangible asset are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recognized in the income statement.

There are no restrictions such as pledges, mortgages on tangible assets.

The depreciation rates used in amortization of tangible assets are as follows:

	Estimated Economic Life (Years)
Buildings	4-5
Safe Boxes	2-5
Other Movables	1-5
Leased Assets	4-

XIV. Investment Property

Investment property is kind of property which is held by the Group for rental or for capital appreciation. In consolidated financial statements at acquisition costs less accumulated depreciation and impairment provisions are also valued.

XV. Leasing Transactions

Assets acquired under financial leases are carried at the present value of the minimum lease payments. Leasing payables are recognized as liabilities in the consolidated financial statements. Leasing payables is recognized as a deferred amount of interest. Financial lease payments, which provides a decrease in financial lease liability, are recognized in the income statement. The remaining principal amount of the debt to be calculated. When the financial expenses are recognized in the income statement, the difference between the acquisition cost and the fair value of the property, plant and equipment (movable properties) account is recognized in the income statement.

There is one company which exclusively does finance lease activities in Turkey, Kalkınma Bankası A.Ş.) which operates finance lease activities in the consolidated financial statements according to the TAS 36. Finance lease activities are operated according to the TAS 36. Finance lease activities are operated according to the TAS 36.

In cases when the Group is the “lessor”, finance lease receivables are recognized at the present value of the minimum lease payments and in the reporting periods after the first entry date the interest income on finance lease is allocated to the interest from the investments that are subject to leasing.

Operational lease transactions are recognized in line with the TAS 36.

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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 main branches specified by the Undersecretariat of Treasury. For each main branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision, is added to the unearned premium provision of that main branch.

Reserve for outstanding claim is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

Mathematical reserve is recognized on actuarial bases in order to meet the requirements of policyholders and beneficiaries for life, health and personal accident insurance contracts for a period longer than a year.

On the other hand, actuarial chain ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve for the amount of uncertain indemnity, additional reserve must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

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XVIII. Provisions and Contingent Liabilities

In the financial statements, a provision is made for an existing liability of which the amount is not certain, but that the commitment will be settled and a reliable estimate can be made.

Provisions are calculated based on the best estimates of management to date to fulfil the liability by considering the risks and uncertainties.

In case the provision is measured by using the estimated cash value of the related liability is equal to the present value of the

If the amount is not reliably estimated and there is no probability that the related liability is considered as “contingent” and disclosed.

XIX. Contingent Assets

The contingent assets usually arise from unplanned or other inflow of economic benefits to the Parent Bank. Since should result in the accounting of an income, which will never be given statements. Nevertheless, the developments related to the contingent assets are virtually certain that an inflow of economic benefits will appear in the financial statements of the period in which the change occurs.

XX. Liabilities Regarding Employee Benefits

1. Severance Indemnities and Short-Term Employees

According to the related regulation and the collective bargain agreements, the subsidiaries of the companies (excluding the subsidiaries residing outside Turkey) are not required to provide pension (for the retired employees) or life insurance (for the female employees) who have voluntarily quit within the scope of TAS 19 "Employee Benefits", the Parent Bank allocates the present value of the probable future liabilities. As the subsidiaries operate do not require retirement pay provision for the employees, the subsidiaries of the companies. In addition, provision is also allocated for the un-

2. Retirement Benefit Obligations

İşbank Pension Fund (Türkiye İş Bankası A.Ş. Emekli Sandığı) member, has been established according to the provisional law number 23 of the provisional article numbered 23 of the Banking Law number 23, which was established within the framework of Social Security Institutions Law number 23 within 3 years after the publication of such law. Methods are determined by the Cabinet decision dated 30 November 2006 number 2006/23, which was cancelled upon the President's application dated 2 November 2007, No.E.2005/39, K.2007/33, which was published on the Official Gazette number 26479 and the execution decision were ceased as of the issuance date.

After the justified decree related to cancelling the provision of the Constitutional Court on the Official Gazette dated 15 December 2009, the Assembly started to work on establishing new legal regulations. The Assembly adopted the TGNA, the Law numbered 5754 "Emendingating Social Security and Decree Laws", which was published on the Official Gazette of the Republic of Turkey. The new law decrees that the contributors of the basic pension from these funds and their rightful beneficiaries will be transferred to this Law within 3 years after the release date of the related law. The 3-year transfer period can be prolonged for maximum 2 years if the law has not been prolonged for 2 years by the Cabinet decision dated. The law numbered 5754 dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 5754 "Insurance Act", which was published on the Official Gazette of the Republic of Turkey, years has been raised to 4 years.

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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 of 31 December 2012. In the financial statements for the related period provision was set aside for the amount of actuarial and technical deficit in the actuarial report dated 30 January 2013 and the amount of the related provision was kept in the financial statements for the current period. The actuarial assumptions used in the related actuarial report are given in Section Five Note II-h. Besides the Parent Bank, Milli Reasürans T.A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş. also had an actuarial report as of 31 December 2012 for the pension fund. The amount of actuarial and technical deficit in the actuarial report of Milli Reasürans T.A.Ş., which was measured and reflected to the year-end financial statements, was kept in the financial statements for the current period. As of 31 December 2012 there is not any additional operational or actuarial liability from Türkiye Sınai Kalkınma Bankası to the Group.

Up to now, there has not been any deficit in İşbank Members' Supplementary Pension Fund (Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı), which has been founded by the Parent Bank employees in accordance with the rules of the Civil Code and which provides subsequent retirement benefits; and the Parent Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of covering its total obligations, and that it shall not constitute an additional liability for the Parent Bank. The same is valid for the supplementary pension funds of the employees of Anadolu Anonim Türk Sigorta Şirketi, Milli Reasürans T.A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş., which are among the other financial institutions of the Group.

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XXI. Taxation

1. Corporate Tax:

Turkish tax legislation does not permit a parent company and its subsidiaries to be consolidated for tax purposes. Provisions for taxes, as reflected in the accompanying consolidated financial statements, are prepared on a separate-entity basis.

In accordance with the Article 32 of the Corporate Tax Law numbered 4960, temporary tax is calculated and paid at 20%. As per the related law, temporary tax is calculated and paid at the corporate tax rate. The temporary tax payment is deducted from the provisional tax for the end of the year 2012 will be calculated and paid in the period's corporate tax.

Tax expense is the sum of the current tax expense and deferred tax expense. Taxable profit is different from the profit in the consolidated financial statements. Taxable profit is calculated by adding the expenses for the following years and non-taxable and non-deductible expenses to the profit and then subtracting the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law numbered 4960, shares, which were held in the assets for a minimum of 2 years, are exempt from tax provided that they are added to the capital of the company and the shares are held for a period of 5 years.

2. Deferred Tax:

Deferred tax is recognized on differences between the consolidated financial statements and the corresponding tax bases used in the consolidated financial statements. Deferred tax is generally recognized for all taxable temporary differences and probable that taxable profits will be available against which the deferred tax can be utilized. Provisions that are allocated for possible future risks are included in the calculation. No tax assets or liabilities are recognized for the profit nor the accounting profit and that arises from the initial recognition of an intangible asset, goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each reporting period. If it is longer probable that sufficient taxable profits will be available to realize the deferred tax assets, the deferred tax assets are reduced.

Deferred tax is measured at enacted tax rates prevailing in the reporting period. Deferred tax assets and liabilities are settled, and the tax is recorded as income or expense in the consolidated financial statements. Deferred tax is recorded to assets directly associated with the equity in the same consolidated financial statements.

Deferred tax assets and liabilities in the financial statements are presented in the consolidated financial statements, on the other hand, 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, there is 10% corporate tax and 15% income tax. The tax bases for corporate tax are calculated according to TRNC regulations, to commercial and industrial gains. Income tax is paid in June, and corporate tax is paid in October. On the other hand, withholding tax is paid in TRNC. The relevant withholding tax payments are deducted from the consolidated financial statements. Withholding tax collections are higher than the corporate 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 September, at the latest.

Georgia

Corporate earnings are subject to income tax rate of 15% according to the Georgian legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the income of corporations and that are calculated in accordance with the tax laws. Income tax has to be paid until the beginning of April of the following year. In addition, in accordance with the legislation of Georgia, each year during May, July, September and December the amount of tax, that calculated according to the previous year income tax, is paid to the tax office by four equal installments of the probable income that is likely to be obtained the current year. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities.

Kosovo

Corporate earnings are subject to income tax rate of 10% according to the Kosovo legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the corporate income and that are calculated in accordance with the tax laws. Tax has to be paid in advance until April, June, October and January of the current year and the 15th day of January of the following year by four installments. Tax amount has to be finalized until the beginning of the April of the following year. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities. Two different methods is used for the calculation of the prepaid taxes. First method is based on the calculation of the estimated tax on profit and the second method is based on the basis for more than 10% of the tax on the previous year.

Germany

According to the tax regulations in Germany, corporate gains are subject to 15% corporate tax. In addition to this, a solidarity tax of 5.5% is calculated over this corporate tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to Germany regulations, to interest, commissions and other operating gains and by subtracting exemptions and deductions from these. The corporate tax payments are made as temporary tax payments in four instalments and are deducted from the corporate tax that is finalized at the end of the current year.

Russia

According to the Russian regulations, corporate gains are subject to 20% corporate tax. The corporate tax base is determined on accrual basis and it is measured by adding the non-deductible expenses to the corporate income gained during the period. Companies in Russia make an advance tax payment every month at an amount of one third of the tax liability related to the previous quarter, make quarterly tax returns and make provisional tax payment by offsetting the advance taxes paid during the period. Final taxation period for corporate tax is one year and the corporate tax is paid at the end of the following year's March by considering the provisional taxes paid during the year. The losses occurred in the previous taxation periods can be offset by the current period tax base, but provided that it is limited to the period of the last 10 years.

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United Arab Emirates

The companies operating in the free zones of Dubai are not subject to tax.

4. Transfer Pricing:

Transfer pricing is regulated through Article 13 of Corporate Tax Law No. 15 of 2003, "Transfer Pricing and the Camouflage of Earnings through Transfer Pricing".

According to the aforementioned regulations, in the case of persons/corporations at a price that is determined against the market value, transfer pricing is not applied. However, if the price is distributed implicitly through transfer pricing and such distribution is not in line with the corporate tax.

XXII. Borrowings

The Parent Bank and its consolidated Group companies residing domestically and abroad, as may be required, by way of securitization, collateralized borrowing and issue of bills, bonds and in the following periods they are valued at amortized cost.

XXIII. Equity Shares and Issuance of Equity Shares

Share issuance related costs is recognized as expenses.

Dividend income related with the equity shares are determined on the basis of the shareholding.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share as a result of the calculation of earnings per share is made by adjusting the calculation as at the comparable periods. The adjustment means consideration as if the bonus issue occurred at the beginning of the period. If the number of shares occur after the balance sheet date, but before the date of the published, the calculation of earnings per share are based on the share calculations taking place in the consolidated income statement.

Profit attributable to shareholders
Weighted average number of shares (thousands)
Earnings per share – (in full TL)

XXIV. Bank Acceptances and Bills of Guarantee

Bill guarantees and acceptances are realized simultaneously with the possible liabilities and commitments in the off-balance sheet.

XXV. Government Incentives

None.

XXVI. Segment Reporting

Business segment is the part of an enterprise,

- which conducts business operations where it can generate income and expenses related to the transactions made with the customers;
- whose operating results are regularly monitored by the management of the enterprise in order to make decisions about the performance of the segment, and
- which has its separate financial information.

Information on the Group's business segmentation and related risks are given in the notes to the consolidated financial statements.

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 16.28% and 16.33%, respectively. Consolidated and unconsolidated capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette no.28337 dated 28 June 2012, effectiveness date is 01 July 2012, and the calculations are made according to "Regulation on Equities of Banks" published in the Official Gazette numbered 26333 dated 1 November 2006.

Capital adequacy ratio is calculated from obligated required capital of the credit risk, the market risk and the operational risk. The amount subject to credit risk on balance sheet assets and non-cash loans, commitments and types of derivative financial instruments, risk classes and ratings of risk weights are evaluated by taking into account the relevant legislation.

The amount subject to credit risk for non-cash loans and commitments are considered by using the conversion rates which are defined in the 5th article of "Regulation On Measurement And Evaluation Of Capital Adequacy Of Banks" after deducting specific provision amount which is calculated from the article of "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published in the Official Gazette no.26333 dated 1 November 2006. The items, which are considered as deductions from capital amount, are not considered in the calculation of capital requirement of credit risk.

Such financial assets, liabilities and off-balance sheet transactions are classified in two separate portfolio as "trading accounts" and "banking accounts" in accordance with the legal regulations and the Parent Bank's internal risk policies. Actively traded asset on balance sheet, derivative transactions held for trading, and trading accounts comprising foreign currency positions are used in calculation of market risk according to the Standard Method by the Bank. Financial instruments and non-financial assets which are excluded from trading book and classified as banking book are subject to calculation of credit risk.

In the calculation of the Parent Bank's operational risk, "Basic Indicator Method" is used.

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Information related to the Parent Bank's capital adequacy ratio

	0%	10%	20%	50%
Value at Credit Risk				
Risk Classes				
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	45,867,079			7,9
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments			29,323	
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises				
Contingent and Non-Contingent Receivables from Multilateral Development Banks				
Contingent and Non-Contingent Receivables from International Organizations				
Contingent and Non-Contingent Receivables from Banks and Intermediaries			5,173,998	4,5
Contingent and Non-Contingent Corporate Receivables				
Contingent and Non-Contingent Retail Receivables				
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages				8,9
Non-performing Receivables (1)				
Receivables are identified as high risk by the Board				
Secured Marketable Securities				
Securitization Positions				
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries				
Investments as Collective Investment Institutions				
Other Receivables	2,350,844		242	

(1) In accordance "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" monitoring in the non-performing loans and receivables and represents the

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Information related to consolidated capital adequacy ratio:

Value at Credit Risk	Risk Weights								
	Consolidated								
	0% ⁽¹⁾	10%	20%	50%	75%	100%	150%	200%	1250%
Risk Classes									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	55,285,552			8,275,191		231,654			
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments			29,331			34,640			
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises						264,072			
Contingent and Non-Contingent Receivables from Multilateral Development Banks									
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries			8,501,585	6,332,811		162,658	60		
Contingent and Non-Contingent Corporate Receivables						81,286,921			
Contingent and Non-Contingent Retail Receivables					36,896,074				
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages				8,941,070					
Non-performing Receivables ⁽¹⁾						499,704			
Receivables are identified as High Risk by the Board							3,023,614	5,967,743	
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions	66,376					4,545			
Other Receivables	2,483,433		242			9,304,695			

- (1) In accordance "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables and represents the net of value after the offsetting with the specific provisions for those.
(2) The amount includes blocked financial investments with risks on saving life policyholders and receivables from individual pension operations of Anadolu Hayat Emeklilik A.Ş. which is one of the Group companies.

Summary information about the Parent bank's capital adequacy ratio and consolidated capital adequacy ratio:

	Bank-Only	Consolidated
Capital Requirement for Credit Risk (VaCR*0.08) (CRCR)	10,945,847	11,953,017
Capital Requirement for Market Risk (CRMR)	281,182	449,795
Capital Requirement for Operational Risk (CROR)	894,118	1,021,396
Equity	24,739,690	27,325,571
Equity/((CRCR+CRMR+CROR)*12.5*100)	16.33	16.28

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Information about the consolidated components of equity:

CORE CAPITAL (TIER I)
Paid-In Capital
Nominal Capital
Capital Commitments (-)
Paid-in Capital Inflation Adjustments
Share Premium
Share Cancellation Profits
Reserves
Inflation Adjustments to Reserves
Profit
Current Period Profit
Prior Periods' Profit
Provision for Possible Losses (up to 25% of the Core Capital)
Gain on Sale of Associates, Subsidiaries and Real Estates
Primary Subordinated Debt
Non-controlling Interest
Losses Excess of Reserves (-)
Current Period Loss
Prior Periods' Loss
Leasehold Improvements (-)
Intangible Assets (-)
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) (-)
Total Core Capital
SUPPLEMENTARY CAPITAL (TIER II)
General Loan Loss Provision
45% of Movables' Revaluation Reserve
45% of Immovables' Revaluation Reserve
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Enterprises
unrecognized shares in current period
Primary Subordinated Debts Excluding the Portion included in the Secondary Subordinated Debts ⁽²⁾
45% of Marketable Securities and Investment Securities Value Increase
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments to Reserves)
Non-controlling Interest
Total Supplementary Capital

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TIER III CAPITAL		
CAPITAL	27,531,295	21,539,319
DEDUCTIONS FROM THE CAPITAL	205,724	352,225
Investments in Unconsolidated Banks and Financial Institutions		
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated loan and debt instruments purchased from such parties qualified as primary or secondary subordinated loan		
Investments in Banks and Financial Institutions, to which Equity Method has been applied but whose Assets and Liabilities are Unconsolidated	86,722	74,405
Loan Granted to Customer Against the Articles 50 and 51 of the Banking Law	1,448	326
Net book values of immovables exceeding 50% of the capital and of assets acquired against Overdue receivables and Held for Sale as per the Article 57 Of the Banking Law but retained More Than Five Years ⁽³⁾	75,643	78,285
Securitization Positions Deducted from Equity		
Others ⁽⁴⁾	41,911	199,209
TOTAL SHAREHOLDERS' EQUITY	27,325,571	21,187,094

⁽¹⁾ Prior year amounts are presented in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" dated 28 June 2012 and dated 28337; the total shareholders' equity balance has not changed.

⁽²⁾ According to the related regulation, if the items subject to the Marketable Securities Value Increase Fund have a negative balance; total amount, and if positive 45% of the balance is taken into consideration in supplementary capital calculation.

⁽³⁾ The figure for the related item, which was TL 66,334, has been amended as TL 78,285.

⁽⁴⁾ It includes the deductions from the capital in accordance with the decision of the Banking Regulation and Supervision Agency dated 16 December 2010 and numbered 3980, published on the Official Gazette dated 18 December 2010 and numbered 27789.

Information on the Bank's internal capital requirements within the scope of the internal capital adequacy assessment process in order to evaluate the adequacy of the approach in terms of current and future activities:

On-balance sheet and off-balance sheet financial risks and activities arising from financial assets and liabilities, against damage caused by exposure to financial risk that are necessary to determine the level of capital and the determined level, taking into consideration the specified minimum levels of statutory and internal continuity of the supply and monitoring process "Capital Adequacy Policy" implemented within the framework by the Bank.

Capital adequacy level is monitored and analyzed taking into consideration the possible changes on economic conjuncture, risk factors, balance sheet structure and size, profitability and, the dividend policy by the Bank. As for the level of capital adequacy with a view to a forward-looking analysis and projection studies have an affect the Bank's planning and decision processes.

Internal capital adequacy assessment process covers determining the risks to an internal perspective which are faced by the Bank and also covers the necessary capital amount against the risks and evaluation within the framework of the principles and methods. This process contains the assessments of capital adequacy under normal conditions and with the evaluation of working under stress conditions.

During the assessment of the Bank's internal capital adequacy; in addition to credit risk, market risk and operational risk, considered to be important by the Bank and for the other quantifiable risks, there are generally accepted methods of calculating capital requirements.

II. Explanations on Consolidated Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Group.

Banks and financial institutions affiliated to the Group, carry out their placement activities in accordance with the credit limitations stipulated by legal regulations of the countries in which they operate.

The Parent Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Parent Bank's Risk Group, including the Parent Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity calculated on a bank-only and consolidated basis.

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Credit risk limits of customers are determined depending on the creditworthiness of the customers, the credit limits of borrowers, in strict compliance with the relevant banking legislation of the Bank, in accordance with the decisions of the Board of Directors, Branches, Regional Offices, Loan Divisions, the Deputy Board of Directors, the Credit Risk Management Committee and the Board of Directors. These limits may be revised periodically. Moreover, all commercial credit limits are revised periodically. Furthermore, the borrowers and borrower groups forming a credit risk are monitored in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the distribution of the Bank's branches in Turkey.

The distribution of borrowers by sector is monitored and managed in order to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a continuous basis. For this purpose, a credit rating system specially developed for this purpose, and the audit of statistical data are carried out in accordance with the provisions as stipulated by the relevant legislation.

The Parent Bank and its financial affiliates give utmost importance to the collateralization of the loans. Most of the loans extended are collateralized by taking real estate, promissory notes and other liquid assets as collateral, or by corporate guarantees.

Non-performing and impaired loans has classified in accordance with the Bank's credit risk management policy against Non-Performing Loans and Other Receivables (the no.2633 dated 1 November 2006. The detailed descriptions are included in Section Three Note VIII.

Credit risk is the risk reduction effects without taking into account the effects of the risk reduction measures on the average for the period.

Exposure Categories (1)
Conditional and unconditional exposures to central governments or central banks
Conditional and unconditional exposures to regional governments or local authorities
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
Conditional and unconditional exposures to multilateral development banks
Conditional and unconditional exposures to international organizations
Conditional and unconditional exposures to banks and brokerage houses
Conditional and unconditional exposures to corporates
Conditional and unconditional retail exposures
Conditional and unconditional exposures secured by real estate property
Past due items
Items in regulatory high-risk categories
Exposures in the form of bonds secured by mortgages
Securitization positions
Short term exposures to banks, brokerage houses and corporates
Exposures in the form of collective investment undertakings
Other items

(1) Includes total risk amounts after credit conversions.

(2) Average risk amounts are the arithmetical average of the amounts in the consolidated financial statements and the amounts in the consolidated financial statements of the subsidiaries in accordance with the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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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 either for hedging or for commercial purposes.

Derivative instruments with a remarkable volume are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Parent Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the rating system that has been developed and credit limits are assigned to the related banks and financial institutions accordingly.

6. (i) The share of the Group's receivables from the top 100 and 200 cash loan customers in the overall cash loan portfolio stands at 22% and 29% respectively (31 December 2011: 24%, 31%).

(ii) The share of the Group's receivables from the top 100 and 200 non-cash loan customers in the overall non-cash portfolio stands at 44% and 54% respectively (31 December 2011: 48%, 58%).

(iii) The share of the Group's cash and non-cash receivables from the top 100 and 200 credit customers in the overall assets and non-cash loans stands at 14% and 18% (31 December 2011: 15%, 20%).

Companies that are among the top loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory, and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the general provisions allocated for credit risk carried by the Group stands at TL 1,705,153.

8. The Parent Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period	Prior Period
Strong	51.46 %	40.39 %
Standard	33.83 %	49.68 %
Below Standard	5.99 %	4.82 %
Not Rated/Scored	8.72 %	5.11 %

The table data comprises the behavior rating/scoring results.

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9. The net values of the collaterals of the Group's closed portfolios are evaluated along with other potential risks types and risk matches.

Type of Collateral	Current Period
Real Estate Mortgage (1)	608,935
Vehicle Pledge	140,837
Cash Collateral (Cash provisions, securities pledge, etc.)	19,538
Pledge on Wages	127,790
Cheques & Notes	30,673
Other (Suretyships, commercial enterprise under pledge, commercial papers, etc.)	183,211
Interest and Income Accruals	
Total	1,110,984

(1) The mortgage and/or pledge amounts on which third parties have provided collateral are evaluated along with other potential risks types and risk matches.

10. The net values of the collaterals of the Group's open portfolios are evaluated along with other potential risks types and risk matches.

Type of Collateral	Current Period
Real Estate Mortgage (1)	444,835
Cash Collateral	
Vehicle Pledge	61,437
Other (suretyships, commercial enterprise under pledge, commercial papers, etc.)	47,790

(1) The mortgage and/or pledge amounts on which third parties have provided collateral are evaluated along with other potential risks types and risk matches.

11. The aging analysis of the loans past due but not impaired is as follows:

Current Period(1)	1-30 Days(2)
Loans:	866,521
Corporate / Commercial Loans (4)	361,218
Consumer Loans	83,474
Credit Cards	421,829
Lease Receivables (5)	11,291
Insurance Receivables	78,027
Total	955,839

(1) The balance of loans, which are not past due or which are classified as "Standard" or "Strong" are TL 1,201,982.

(2) Related figures show only overdue amounts of installment based commercial loans which are not due as of the balance sheet date are equal to TL 406,218.

(3) Related figures show only overdue amounts of installment based commercial loans which are not due as of the balance sheet date are equal to TL 218,790.

(4) The balance includes factoring receivables

(5) Includes only overdue installments, the principal amount which is not due

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Prior Period(1)	1-30 Days(2)	31-60 Days(3)	61-90 Days(3)	Total
Loans	724,471	164,310	111,586	1,000,367
Corporate / Commercial Loans (4)	399,726	19,851	15,308	434,885
Consumer Loans	26,164	22,548	10,710	59,422
Credit Cards	298,581	121,911	85,568	506,060
Lease Receivables (5)	5,832	1,746	1,341	8,919
Insurance Receivables	48,140	12,625	4,095	64,860
Total	778,443	178,681	117,022	1,074,146

(1) The balance of loans, which are not past due or which are classified under closely monitored although being past due for less than 31 days, stands at TL 833,499.
(2) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 593,465 and TL 514,066 respectively.
(3) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 183,818 and TL 187,103 respectively.
(4) The balance includes factoring receivables.
(5) Includes only overdue installments; the principal amount which is not due as of the balance sheet date is TL 160,540.

12. Profile of Significant Risk Exposures in Major Regions:

Current Period	Domestic	European Union	OECD Countries (1)	Off-shore Banking Regions	USA, Canada	Other Countries	Investments in Associates, Subsidiaries and Jointly Controlled Entities	Unallocated Assets(Liab)	Total
Risk Groups									
Contingent and Non-Contingent Receivables from Central Banks	63,535,967					256,430			63,792,397
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	63,971								63,971
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	249,256	14,803					13		264,072
Contingent and Non-Contingent Receivables from Multilateral Development Banks									
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries	10,049,444	3,497,232	227,535	23,075	772,653	427,175			14,997,114
Contingent and Non-Contingent Corporate Receivables	79,108,795	859,559	5,635	219,339	7,356	1,086,237			81,286,921
Contingent and Non-Contingent Retail Receivables	36,115,196	434,253	72,118	358	523	338,526			36,896,074
Contingent and Non-Contingent Receivables Secured by Residential Property	8,902,563	103,500	114		379	27,864			8,941,070
Non-Performing Receivables	499,704								499,704
Receivables are identified as high risk by the Board	8,802,700	307	47			105,484	82,819		8,991,457
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Receivables from Banks and Intermediaries									
Investments as Collective Investment Limitations	66,376	4,545							70,921
Other Receivables	7,472,503	352					4,315,615		11,788,370
Total	214,866,275	4,831,501	240,519	242,772	780,811	2,241,729	4,398,434		227,591,971

(1) EU Countries, USA and Canada except the OECD Countries
(2) Assets and liabilities are allocated on a consistent basis

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13. Risk Profile by Sectors or Counterparties:

Current Period Consolidated																			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	TL	FC	Total
Sectors/Counterparty																			
Agriculture		120	141				463,968	958,976	58,202	6,992	41,840						1,379,240	150,999	1,530,239
Farming and Stockbreeding		120	141				312,935	776,413	51,544	4,779	39,035						1,136,310	48,657	1,184,967
Forestry							66,043	144,554	4,159	1,605	1,568						186,259	31,670	217,929
Fishing							84,990	38,009	2,499	608	1,237						56,671	70,672	127,343
Industry		22	10,108				37,043,164	4,539,657	247,745	66,031	54,604					3,913	14,644,979	27,320,265	41,965,244
Mining							968,349	219,123	6,750	7,946	2,142					20	495,752	708,578	1,204,330
Production				10,100			26,099,272	4,221,729	233,649	57,707	50,071					2,601	13,058,388	17,616,741	30,675,129
Electricity, gas, and water		22		8			9,975,543	98,805	7,346	378	2,391					1,292	1,090,839	8,994,946	10,085,785
Construction							6,889,750	2,153,302	105,110	53,049	21,903						5,395,531	3,827,583	9,223,114
Services	195,808	823	233,068			14,997,114	32,274,066	12,941,121	1,903,456	107,730	702,306					4,433,408	41,187,686	26,601,214	67,788,900
Wholesale and Retail Trade		10	93,677				13,005,286	7,501,168	456,390	72,750	107,841					1,903	15,646,612	5,592,413	21,239,025
Hotel, Food and Beverage Services			65				2,563,408	516,689	73,823	4,929	24,158						942,306	2,240,766	3,183,072
Transportation and Telecommunication				2,291			6,787,717	2,471,371	164,381	14,428	78,450					11,289	3,767,499	5,762,428	9,529,927
Financial Institutions	195,796			7,115		14,997,114	1,738,698	340,879	20,274	467	90,939					4,412,936	15,325,029	6,479,189	21,804,218
Real Estate and Renting Services				27,164			5,270,554	758,071	134,305	5,062	41,857					7,268	1,627,335	4,616,946	6,244,281
Self-Employment Services			811	67,663			1,949,429	864,245	921,153	6,044	321,019					12	2,794,585	1,335,791	4,130,376
Education Services		4		24,221			329,307	122,352	41,770	2,255	14,552						326,496	207,965	534,461
Health and Social Services		8	2	10,872			629,667	366,346	91,360	1,795	23,490						757,824	365,716	1,123,540
Other	63,596,589	63,006	20,755				4,615,973	16,303,018	6,626,557	265,902	8,170,704				70,921	7,351,049	96,455,772	10,628,702	107,084,474
Total	63,792,397	63,971	264,072	-	-	14,997,114	81,286,921	36,896,074	8,941,070	499,704	8,991,357	-	-	-	70,921	11,788,370	159,063,208	68,528,763	227,591,971

(1) Contingent and non-contingent exposures to central governments or central banks (2) Contingent and non-contingent exposures to regional governments or local authorities (3) Contingent and non-contingent exposures to administrative bodies and non-commercial undertakings
(4) Contingent and non-contingent exposures to multilateral development banks (5) Contingent and non-contingent exposures to international organizations (6) Contingent and non-contingent exposures to banks and brokerage houses (7) Contingent and non-contingent corporate receivables
(8) Contingent and non-contingent retail receivables (9) Contingent and non-contingent exposures secured by real estate property (10) Past due items (11) Items in regulatory high-risk categories (12) Exposures in the form of bonds secured by mortgages (13) Securitization positions
(14) Short term exposures to banks, brokerage houses and corporate (15) Exposures in the form of collective investment undertakings (16) Other items

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14. Analysis of Maturity-Bearing Exposures According to Remaining Maturities:

Risk Groups	Current Period					
	Remaining Maturities					
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Total
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	1,896,251	461,707	2,853,340	5,269,453	33,555,982	44,036,733
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments	2,854	7,839	5,037	12,793	34,941	63,464
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	2,749	11,722	14,923	118,829	86,181	234,404
Contingent and Non-Contingent Receivables from Banks and Intermediaries	6,289,853	937,750	801,576	1,331,860	3,002,051	12,363,090
Contingent and Non-Contingent Corporate Receivables	5,913,621	5,544,213	6,883,962	9,570,982	43,425,680	71,338,458
Contingent and Non-Contingent Retail Receivables	6,744,642	3,384,283	3,845,301	4,166,052	7,893,624	26,033,902
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages	230,271	306,240	442,522	880,046	7,081,991	8,941,070
Receivables are identified as High Risk by the Board	267,611	431,405	641,284	2,098,711	5,453,688	8,892,699
Total	21,347,852	11,085,159	15,487,945	23,448,726	100,534,138	171,903,820

15. Information on Risk Classes:

In the calculation of the amount subject to credit risk, determining the risk weights related to risk classes stated on the sixth article of "Regulation on Measurement and Evaluation of Capital Adequacy Of Banks", is based on the Fitch Ratings' international rating with the Banking Regulation and Supervision Board's decision numbered 4577 dated 10 February 2012. While receivables from resident banks in abroad which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Banks and Brokerage Agencies" and receivables from central governments which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Central Governments or Central Banks" will be subjected to risk weights with the scope of ratings; therefore domestic resident banks accepted as unrated, the risk weight is applied according to receivables from relevant banks , type of exchange and remaining maturity.

If a receivable-specific rating is performed, risk weights to be applied on the receivable are determined by the relevant credit rating.

The table related to mapping the ratings used in the calculations and credit quality grades, which is stated in the Annex of Regulation on Measurement and Assessment of Capital Adequacy of Banks, is given below:

Credit Quality Grades	1	2	3	4	5	6
Risk Rating	AAA via AA-	A+ via A-	BBB+ via BBB-	BB+ via BB-	B+ via B-	CCC+ and lower

There is no credit rating and credit export agency has been assigned for the items that are not included to trading accounts.

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Risk Amounts according to Risk Weights

Risk Weight	0%	10%	20%	50%	75%
Amount Before Credit Risk Mitigation	57,835,361		8,531,159	23,549,072	36,896,361
Amount After Credit Risk Mitigation (1)	57,835,361		8,531,159	23,549,072	36,896,361

(1) The effect of credit risk mitigation techniques for the determination of the risk amounts.

16. Miscellaneous Information According to Type of Significant Sectors/Counterparty

Significant Sectors/Counterparty (1)	Loans	
	Impaired	Non-Impaired
Agricultural		65,228
Farming and Raising Livestock		55,781
Forestry		6,717
Fishing		2,730
Industry		445,472
Mining		23,952
Production		417,805
Electricity, gas, and water		3,715
Construction		341,862
Services		643,314
Wholesale and Retail Trade		398,820
Hotel, Food and Beverage Services		33,093
Transportation and Telecommunication		85,291
Financial Institutions		33,765
Real Estate and Renting Services		31,399
Self-Employment Services		33,719
Education Services		4,986
Health and Social Services		22,241
Other		773,298
Total		2,269,174

(1) Amount includes finance lease and factoring receivables.

(2) Refers to loans overdue up to 90 days. Related items included in the calculation of the amount subject to credit risk in the overdue amounts, the payment of these loans outstanding principal and interest.

(3) Refers to the general provisions for non-performing loans..

(4) Refers to specific provision for impaired loans.

17. Information on Value Adjustments and Changes

	Beginning Balance	Provisions
Specific Provisions	2,109,419	612,325
General Provisions	1,315,935	394,723

(1) Stating foreign exchange gains and losses.

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III. Explanations on Consolidated Market Risk:

1. Explanations on Consolidated Market Risk:

The market risk carried by the Group is measured by two separate methods known respectively as the Standard Method and the Value at Risk (VAR) Method in accordance with the local regulations adopted from internationally accepted practices. In this context, interest rate risk emerges as the most important component of the market risk.

The consolidated market risk measurements are carried out on a quarterly basis, using the Standard Method. The results are accounted in the legal reporting and evaluated with the top management.

The VAR Method is another alternative for the Standard Method in measuring and monitoring market risk carried by the Parent Bank. This model is used to measure the market risk on a daily basis in terms of interest rate risk, currency risk and equity share risk and is a part of the Parent Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR method used to measure the losses that may occur in the ordinary market conditions are practiced, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Parent Bank's portfolio are determined and the results are reported to the Top Executive Management. Financial participations also make VAR calculations within the frame determined by the Parent Bank, and the results are reported to the Parent Bank's top management.

The limits set for the market risk management within the framework of the Parent Bank's asset liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out within the context of "Standard Method for Market Risk Measurement" and in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" as of 31 December 2012.

1.a. Information on the market risk:

	Amount
(I) Capital Obligation against for General Market Risk – Standard Method	40,973
(II) Capital Obligation against for Specific Risk – Standard Method	94,834
Capital Obligation for Specific Risk Related to Securitization Positions-Standard Method	
(III) Capital Obligation against for Currency Risk – Standard Method	261,490
(IV) Capital Obligation against for Stocks Risk – Standard Method	5,909
(V) Capital Obligation against for Exchange Risk – Standard Method	
(VI) Capital Obligation against for Market Risk of Options – Standard Method	12,632
(VII) Capital Obligation against for Counterparty Credit Risk-Standard Method	33,957
(VIII) Capital Obligation against for Market Risks of Banks Applying Risk Measurement Models	
(IX) Total Capital Obligation against for Market Risk (I+II+III+IV+V+VI+VII)	449,795
(X) Value at Market Risk (12.5 x VIII) or (12.5 x IX)	5,622,438

1.b. Table of the average market risk related to the market risk calculated quarterly during the period:

	Current Period (I)		
	Average	Highest	Lowest
Interest Rate Risk	43,241	46,399	40,082
Share Certificate Risk	85,676	75,626	95,725
Currency Risk	262,126	262,762	261,490
Commodity Risk	10,966	16,022	5,909
Settlement Risk	147	294	0
Options Risk	10,705	8,778	12,632
Counterparty Credit Risk	58,066	82,174	33,957
Total Value at Risk	5,886,588	6,150,688	5,622,438

(1) As per the legislation on capital adequacy effective from 1 July 2012, due to the calculation of Value At Market Risk methodology, the table is regulated for considering the period after the date of the above-mentioned.

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2. Information on counterparty credit risk:

A counterparty credit risk, which is accounts for trading derivative contracts, is the credit risk the liability arising from transactions, is determined by the credit limit allocation. Exposure to credit risk of derivative contracts is determined in accordance with Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published on the Official Gazette no.28337 dated 28 June 2011. The counterparty credit risk valuation method based on the credit limit allocation is implemented. The calculation of the amount of risk on derivative contracts is positively correlated with the sum of the costs of renewal. The amount of risk is the contract amount is multiplied by the rates given in the contract. The replacement costs and the fair value of the related contracts are taken into account.

The Bank is exposed to counterparty credit risk is managed by the credit limit allocation. Exposure to credit risk of derivative contracts is determined in accordance with Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published on the Official Gazette no.28337 dated 28 June 2011. The counterparty credit risk valuation method based on the credit limit allocation is implemented. The calculation of the amount of risk on derivative contracts is positively correlated with the sum of the costs of renewal. The amount of risk is the contract amount is multiplied by the rates given in the contract. The replacement costs and the fair value of the related contracts are taken into account.

Within the scope of trading accounts with credit derivative contracts, the Bank provides protection.

Quantitative information on counterparty risk:

Interest-Rate Contracts
Foreign-Exchange-Rate Contracts
Commodity Contracts
Equity-Shares Related Contracts
Other
Gross Positive Fair Values
Netting Benefits
Net Current Exposure Amount
Collaterals Received
Net Derivative Position

IV. Explanations on Operational Risk

Operational risk is defined in general as "the risk of loss resulting from inadequate or failed internal processes, people, systems or other external factors".

The classification of operational risks that might be encountered by the Bank is prepared in the "Risk Catalog of the Bank". This Risk Catalog is updated parallel to the changes in the Bank's business and the external environment.

The principles on specifying, defining, evaluating, measuring and monitoring operational risks and the responsibilities regarding operational risk management are determined in the "Operational Risk Management Policy".

In the assessment of operational risk, "Self-Assessment Method" is used. The operational risks are identified through the participation of the personnel who is responsible for the risk. Quantitative methods are used in the measurement and evaluation of operational risks. "Impact-Likelihood Analysis" and "Lost Case Data Analysis" are used in the evaluation of operational risks.

All the operational risks that are carried during the operation of the Bank's products/services, together with the losses of the Parent Bank, are reported to the Board of Directors.

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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 12,767,447 (31 December 2011: TL 12,726,641).

The information contained in the following table when using the basic indicator method:

	2PP Amount	1PP Amount	CP Amount	Total/Positive Years of Gross Income Amount	Rate (%)	Total
Gross Income	7,144,023	6,316,693	6,967,199	3	15	1,021,396
Value at operational risk (Total*12.5)						12,767,447

V. Explanations on Consolidated Currency Risk

Foreign currency position risk for the Group is a result of the difference between the Group's assets denominated in and indexed to foreign currencies and liabilities denominated in foreign currencies. Furthermore, parity fluctuations of different foreign currencies are another element of the currency risk.

The currency risk for the Parent Bank is managed by the internal currency risk limits which are established as a part of the Parent Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks, within framework of the determined by the "Net Foreign Currency Overall Position/ Shareholders' Equity" ratio, which is a part of the legal requirement and the internal currency risk limits specified by the Board of Directors. Foreign exchange risk management decisions are strictly applied.

In measuring currency risk, which the Group is exposed to, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made for the Parent Bank within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging currency risk.

Risk measurements made within the context of the VAR are made on a daily basis using the historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on currency risk are reported to the Key Management and the risks are closely monitored by taking into account the market and the economic conditions.

The Parent Bank's foreign currency purchase rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

Date	USD	EUR
31. 12. 2012	1.7850	2.3526
28. 12. 2012	1.7850	2.3562
27. 12. 2012	1.7900	2.3685
26. 12. 2012	1.7900	2.3703
25. 12. 2012	1.7900	2.3607
24. 12. 2012	1.7900	2.3628

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

USD: TL 1.7757

EUR: TL 2.3280

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Sensitivity to currency risk:

The Group's sensitivity to any potential change in foreign currency exchange rates is as follows. The Group's sensitivity to any potential change in foreign currency exchange rates is as follows. 10% change is anticipated in USD, EUR and GBP currencies. 10% is the ratio that is used in the internal reporting of the Group.

	% Change in Foreign Currency	
USD	10% increase	
	10% decrease	
EUR	10% increase	
	10% decrease	
GBP	10% increase	
	10% decrease	

(1) Indicates the values before tax.

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Information on currency risk:				
	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	4,871,229	5,700,904	2,919,121	13,491,254
Banks	473,931	572,237	662,822	1,708,990
Financial Assets at Fair Value through Profit/Loss ⁽¹⁾	163,238	311,574		474,812
Money Market Placements				
Financial Assets Available for Sale	624,597	6,642,129	89,963	7,356,689
Loans ⁽²⁾	15,776,216	30,013,270	1,003,499	46,792,985
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	215			215
Held to Maturity Investments	1,947	1,524	4,970	8,441
Derivative Financial Assets Held for Risk Management				
Tangible Assets ⁽¹⁾	39,564	208	40,256	80,028
Intangible Assets ⁽¹⁾				
Other Assets ⁽¹⁾	720,646	1,358,780	96,451	2,175,877
Total Assets	22,671,583	44,600,626	4,817,082	72,089,291
Liabilities				
Bank Deposits	1,083,758	776,707	368,663	2,229,128
Foreign Currency Deposits ⁽³⁾	15,601,337	20,272,409	4,333,313	40,207,059
Money Market Funds	233,642	3,123,533	8	3,357,183
Funds Provided from Other Financial Inst.	7,696,816	9,618,234	512	17,315,562
Marketable Securities Issued ⁽⁴⁾		3,602,440		3,602,440
Miscellaneous Payables	338,395	238,251	17,421	594,067
Derivative Financial Liabilities Held for Risk Management				
Other Liabilities ⁽¹⁾⁽⁵⁾	1,515,598	2,071,431	97,677	3,684,706
Total Liabilities	26,469,546	39,703,005	4,817,594	70,990,145
Net On Balance Sheet Position	(3,797,963)	4,897,621	(512)	1,099,146
Net Off Balance Sheet Position	1,930,232	(2,942,156)	611,363	(400,561)
Derivative Financial Assets ⁽⁶⁾	5,798,988	7,213,488	2,593,562	15,606,038
Derivative Financial Liabilities ⁽⁶⁾	3,868,756	10,155,644	1,982,199	16,006,599
Non-Cash Loans	5,482,923	11,003,204	702,973	17,189,100
Prior Period				
Total Assets	25,235,119	42,558,036	3,072,936	70,866,091
Total Liabilities	24,883,771	38,424,151	4,373,616	67,681,538
Net Balance Sheet Position	351,348	4,133,885	(1,300,680)	3,384,553
Net Off Balance Sheet Position	(1,379,556)	(2,501,096)	1,939,102	(1,941,550)
Derivative Financial Assets	3,938,413	7,695,358	2,988,338	14,622,109
Derivative Financial Liabilities	5,317,969	10,196,454	1,049,236	16,563,659
Non-Cash Loans	4,799,303	11,462,515	710,409	16,972,227

mentioned Regulation

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“Interest Rate Risk” is defined as the decrease that can be

Potential effects of interest rate risk on the Parent Bank's economic environment and expectations are regularly followed, and further measures to reduce risk are taken when necessary.

Received 12 November 2003; accepted 12 November 2003

Interest rate sensitivity:

In this part, the sensitivity of the Bank's assets and liabilities

During the measurement of the Bank's interest rate sensitivity

On the other hand, in the profit/loss calculation of assets

9. $\frac{1}{2} \times \frac{1}{2} = \frac{1}{4}$

% Change in the Interest Rate (1)		Effect On Pr
TL	FC (4)	Current Period
1 point increase	1 point increase	(42,333)
1 point decrease	1 point decrease	64,876

brackets remained below the aforementioned rates.

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a. Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates):

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						16,111,127	16,111,127
Banks	3,006,260	682,860	80,505			782,268	4,551,893
Financial Assets at Fair Value through Profit/Loss	368,828	745,742	538,110	137,716	70,456	341,789	2,202,641
Money Market Placements	81,675						81,675
Financial Assets Available for Sale	9,323,834	3,159,679	8,071,869	5,832,841	5,528,868	256,734	32,173,825
Loans ⁽¹⁾	33,584,462	14,239,146	26,859,888	33,953,698	7,577,925	18,304	116,233,423
Held to Maturity Investments	676,402	3,290,560	5,084,488	1,997,329			11,048,779
Other Assets	924,355	71,338	298,889	820,505	94,874	16,461,415	18,671,376
Total Assets	47,965,816	22,189,325	40,933,749	42,742,089	13,272,123	33,971,637	201,074,739
Liabilities							
Bank Deposits	2,308,441	404,997	258,284	11,863		228,227	3,211,812
Other Deposits	54,553,321	20,184,263	6,344,956	583,630	26,620	21,106,258	102,799,048
Money Market Funds	15,725,235	584,075	721,521				17,030,831
Miscellaneous Payables	230,187	1,967	258	3,557		8,948,509	9,184,478
Marketable Securities Issued ⁽²⁾	977,611	1,789,232	1,838,522	1,890,449	1,785,000		8,280,814
Funds Provided from Other Financial Institutions	8,910,894	5,247,654	3,743,469	289,720	970,175		19,161,912
Other Liabilities ^{(3) (4)}	266,570	773,842	2,284,506	54,104	9,563	38,017,259	41,405,844
Total Liabilities	82,972,259	28,986,030	15,191,516	2,833,323	2,791,358	68,300,253	201,074,739
Balance Sheet Long Position			25,742,233	39,908,766	10,480,765		76,131,764
Balance Sheet Short Position	(35,006,443)	(6,796,705)				(34,328,616)	(76,131,764)
Off Balance Sheet Long Position	2,332,732	4,365,149					6,697,881
Off Balance Sheet Short Position			(3,128,493)	(2,860,887)	(391,330)		(6,380,710)
Total Position	(32,673,711)	(2,431,556)	22,613,740	37,047,879	10,089,435	-34,328,616	317,171

⁽¹⁾ The balance includes factoring receivables.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which is classified on the balance sheet under the subordinated loans are also included.

⁽³⁾ Equity is included in "non-interest bearing" column.

⁽⁴⁾ The borrower funds are presented in "Up to 1 month" column in other liabilities.

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Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates):

Prior Period	Up to 1 Month	1-3 Months
Assets		
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey		
Banks	3,540,575	396,680
Financial Assets at Fair Value through Profit/Loss	360,682	632,102
Money Market Placements	168,514	3,099,562
Financial Assets Available for Sale	8,318,479	4,353,562
Loans ⁽¹⁾	29,213,471	12,910,751
Investments Held to Maturity	165,778	5,219,581
Other Assets	680,281	80,184
Total Assets	42,447,780	23,595,965
Liabilities		
Bank Deposits	1,317,405	605,107
Other Deposits	56,249,754	15,065,039
Money Market Funds	19,319,545	743,194
Miscellaneous Payables	431,558	93,478
Marketable Securities Issued	596,323	690,312
Funds Provided from Other Financial Institutions	8,587,216	6,293,350
Other Liabilities ^{(2) (3)}	218,812	743,570
Total Liabilities	86,720,613	24,141,522
Balance Sheet Long Position		
Balance Sheet Short Position	(44,272,833)	(545,557)
Off Balance Sheet Long Position	2,701,724	5,670,392
Off Balance Sheet Short Position		
Total Position	(41,571,109)	5,124,835

⁽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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b. Average interest rates applied to monetary financial instruments:

Current Period	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	0.75	1.26		8.36
Banks	2.31	5.24		8.04
Financial Assets at Fair Value through Profit/Loss				5.90
Money Market Placements	4.86	4.79		8.34
Financial Assets Available for Sale	5.33	4.83	3.31	12.91
Loans	0.75	0.05		12.51
Held to Maturity Investments				
Liabilities				
Bank Deposits	1.80	1.99		6.16
Other Deposits	2.22	2.26	0.01	6.40
Money Market Funds	1.96	1.41		5.72
Miscellaneous Payables (1)				
Marketable Securities Issued		5.33		8.10
Funds	1.00	1.00		6.50
Funds Provided from Other Financial Institutions	1.48	1.96		7.95

(1) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

Prior Period	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	3.62	3.18		11.29
Financial Assets at Fair Value through Profit/Loss	4.10	7.70		10.97
Money Market Placements	4.38	3.88		11.11
Financial Assets Available for Sale	4.41	4.27		8.66
Loans	5.12	4.50	2.86	13.99
Held to Maturity Investments	0.75	7.42		13.13
Liabilities				
Bank Deposits	1.65	3.04		7.91
Other Deposits	2.78	3.41	0.04	8.45
Money Market Funds	1.71	2.23		9.38
Miscellaneous Payables				
Marketable Securities Issued		5.30		9.29
Funds	1.00	1.00		6.50
Funds Provided from Other Financial Institutions	1.55	1.37		10.71

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c. The interest rate risk of the banking book items:

Interest rate risk arising from the banking accounts is defined as the risk of changes in interest rates due to differences in interest settlement and revaluation of assets and liabilities in the banking book; interest-bearing liabilities; interest-bearing assets; and interest-bearing assets established by the Board of Directors, is managed within the framework of the Risk Management Department and Asset-Liability Committee. Compliance with internal risk limits for the Risk Management Department and Asset-Liability Committee is monitored by the Board of Directors on a monthly basis.

Duration and sensitivity analysis are conducted on a monthly basis within the scope of the Regulation about Monthly Interest Rate Risk Sensitivity Analysis of the balance sheet are determined by the calculation of the duration of assets and liabilities and off-balance sheet items. In the sensitivity analysis, the influence of the various interest rate scenarios on the capital is examined.

The interest rate risk of the banking book item in accordance with the Regulation about Monthly Interest Rate Risk Sensitivity Analysis of the Banking Accounts by Standard Shock Method which is put into effect on 1 January 2011. In the calculations committed due to the mentioned regulation, the deposits with low sensitivity to interest rate changes and contractual maturities. In the core deposit analysis, the historical data and which maturity would remain within the bank and the legal provisions for quantifying the interest rate arising from the banking book items.

Currency	Applied Shock (+/- x basis points)
TL	(-)
TL	(-)
EUR	(-)
EUR	(-)
USD	(-)
USD	(-)
Total (for Negative Shocks)	
Total (for Positive Shocks)	

VII. Explanations on Equity Shares Risk Arising from Equity Investments

- Related to the equity investments account practices in the Third Section and footnote numbered III.
- Balance Sheet Value of Equity Investment, fair value of equity investments from the fair value comparison to the market price:

Share Certificate Investments	Book Value
Quoted	
Stock Investment Group A	
Subsidiaries	
Financial Subsidiaries	
Non-Financial Subsidiaries	
Non-Quoted	
Associate and Subsidiaries	
Financial Subsidiaries (1)	
Non-Financial Subsidiaries	
Subsidiaries	
Financial Subsidiaries	
Non-Financial Subsidiaries	
Securities Available For Sale	

(1) Accounted under equity accounted method.
(2) Since they are not traded in an active market, securities available for sale are shown at cost.

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c. Unrealized gains and losses on investment in stocks, revaluation increases with the amounts of main and additive capital:

Portfolio	Realized Gains/losses During the period	Revaluation Increases		Unrealized Gains	
		Total	Including to the Capital Contribution	Total	Including to the Capital Contribution
Private Equity Investments					
Shares Traded on a Stock Exchange				1,689,476	760,264
Other Stocks					
Total				1,689,476	760,264

VIII. Explanations on Consolidated Liquidity Risk

Liquidity risk may arise as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Parent Bank's main source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Parent Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. The Parent Bank also borrows medium and long-term funds from institutions abroad.

In order to meet the liquidity requirements that may arise due to market fluctuations, the Group analyses TL and FC cash flows projections to preserve liquid assets. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Parent Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Parent Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and to avoid extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio mean the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios of the Parent Bank for the year ended 2012 with their prior year comparatives are given below.

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Current Period				
Average (%)	150.28	150.51	97.72	109.76
Highest (%)	172.36	175.69	113.42	125.15
Lowest (%)	125.96	119.19	88.25	103.75

	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Prior Period				
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 maturity

	Demand	Up to 1 Month	More than 1 Month
Current Period			
Assets			
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	4,775,236	11,304,951	
Banks	932,706	2,855,822	
Financial Assets at Fair Value through Profit/Loss	341,789	289,371	
Money Market Placements		81,675	
Financial Assets Available for Sale	256,734	1,384,249	
Loans ⁽²⁾	12,371,747	13,344,541	8,344,541
Held to Maturity Investments		511,325	
Other Assets	347,647	2,040,573	
Total Assets	19,025,859	31,812,507	10,344,541
Liabilities			
Bank Deposits	235,228	2,301,440	
Other Deposits	21,111,410	54,544,568	20,344,541
Funds Provided from Other Financial Institutions		1,193,321	
Money Market Funds		15,499,933	
Marketable Securities Issued ⁽³⁾		978,437	
Miscellaneous Payables	5,325,165	3,701,000	
Other Liabilities ⁽⁴⁾	2,135	2,000,383	
Total Liabilities	26,673,938	80,219,082	20,344,541
Liquidity Gap	(7,648,079)	(48,406,575)	(10,000,000)
Prior Period			
Total Assets	17,987,463	26,503,513	10,344,541
Total Liabilities	22,741,897	81,761,005	18,344,541
Liquidity Gap	(4,754,434)	(55,257,492)	(8,000,000)

⁽¹⁾ Assets, such as Tangible Assets, Subsidiaries and Associates, Office Supplies, etc., which are required for banking operations and which cannot be converted into cash without incurring a loss, are considered as payables and Shareholders' Equity, are shown in 'Unallocated' column.

⁽²⁾ The balances include factoring receivables.

⁽³⁾ Secondary subordinated issued bonds having credit quality, which are included.

⁽⁴⁾ The borrower funds are presented in "Up to 1 month" column in other liabilities.

In compliance with the TFRS 7 "Financial Instruments: Disclosures", the Group's major financial assets and liabilities which are not measured at fair value are prepared by referencing the earliest dates of collections and payments. The table below shows the items that may cause possible cash flows in the future. The liabilities registered in balance sheet do not include these amounts.

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Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	341,789	17,943	146,505	473,946	599,396	285,509	1,865,088	304,970	1,560,118
Banks	932,706	2,867,150	694,645	83,603			4,578,104	26,211	4,551,893
Financial Assets Available for Sale	256,734	1,720,751	754,763	5,806,943	16,866,584	14,000,825	39,406,600	7,232,775	32,173,825
Loans (1)	12,371,747	14,563,509	9,413,666	30,150,364	52,276,053	12,118,768	130,894,107	15,160,388	115,733,719
Investments Held to Maturity		515,270	292,581	3,750,520	8,193,582	6,755	12,758,708	1,709,929	11,048,779
Liabilities									
Deposits	21,346,638	56,998,136	20,769,477	6,744,323	651,164	35,322	106,545,060	534,200	106,010,860
Funds Provided from Other Financial Institutions		1,221,152	743,744	7,868,901	5,920,205	4,616,780	20,370,782	1,208,870	19,161,912
Money Market Funds		15,515,373	291,971	395,322	544,922	411,281	17,158,869	128,038	17,030,831
Securities Issued (Net) (2)		979,535	1,672,266	2,201,888	2,585,699	2,320,500	9,759,888	1,479,074	8,280,814

(1) The balances include factoring receivables.

(2) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	327,228	16,843	15,045	277,414	904,952	150,580	1,692,062	235,630	1,456,432
Banks	762,500	3,469,439	356,337	173,277	12,301		4,773,854	25,948	4,747,906
Financial Assets Available for Sale	179,937	2,379,266	978,394	5,376,744	16,222,837	17,743,173	42,880,351	9,323,285	33,557,066
Loans	9,689,446	12,799,562	7,897,704	26,708,391	44,318,922	11,536,130	112,950,155	13,517,380	99,432,775
Investments Held to Maturity		15,505	2,474,547	1,624,774	12,515,847	22,033	16,652,706	2,945,274	13,707,432
Liabilities									
Deposits	19,054,431	57,746,825	15,899,760	6,189,466	564,186	42,012	99,496,680	664,684	98,831,996
Funds Provided from Other Financial Institutions		637,534	1,399,450	7,706,408	5,901,884	4,385,668	20,030,944	1,156,669	18,874,275
Money Market Funds		18,349,829	442,431	2,696,244	427,397	779,808	22,695,709	222,727	22,472,982
Securities Issued (Net)		599,839	555,541	1,667,435	1,228,291		4,051,106	285,230	3,765,876

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The following table shows the remaining maturities of non-current assets:

Current Period	Demand	Up to 1 Month	1-3 Months
Letters of Credit	2,043,692	454,640	6,000
Letters of Guarantee	13,506,229	664,166	1,000
Acceptances	45,351	168,374	0
Other	28,863	88,260	0
Total	15,624,135	1,375,440	2,000

Prior Period	Demand	Up to 1 Month	1-3 Months
Letters of Credit	2,892,153	273,372	4,000
Letters of Guarantee	11,139,061	381,913	1,000
Acceptances	15,700	95,191	0
Other	41,322	32,560	0
Total	14,088,236	783,036	2,000

The following table shows the remaining maturities of derivatives:

Current Period	Up to 1 Month	1-3 Months
Forwards Contracts- Buy	4,042,852	1,153,000
Forwards Contracts- Sell	4,020,500	1,149,000
Swaps Contracts -Buy	6,255,817	1,480,000
Swaps Contracts -Sell	5,844,119	1,475,000
Futures Transactions-Buy		19,000
Futures Transactions-Sell		17,000
Options-Call	1,205,185	597,000
Options-Put	1,200,462	594,000
Other	381,103	40,000
Total	22,950,038	6,534,000

Prior Period	Up to 1 Month	1-3 Months
Forwards Contracts- Buy	2,018,832	2,107,000
Forwards Contracts- Sell	2,052,739	2,098,000
Swaps Contracts -Buy	5,918,350	964,000
Swaps Contracts -Sell	6,177,476	1,185,000
Futures Transactions-Buy		23,000
Futures Transactions-Sell		23,000
Options-Call	1,197,127	417,000
Options-Put	1,193,790	417,000
Other	286,923	238,000
Total	18,845,237	7,477,000

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None

Activities carried out by the bank that give rise to credit risk and collaterals are in accordance with the provisions of the relevant legislation. However, effect of credit risk mitigation techniques is not taken into account in the determination of the capital adequacy ratio.

In addition to banking activities, activities of the entire the group as a whole is exposed to financial and non-financial risks which are required to be analyzed, monitored and reported within specific risk management principles of the bank and with the perspective of Group risk management. The risk management process is organized within the framework of risk management and serves the creation of a common risk culture in corporate level; which brings "good corporate governance" to forefront, business units that undertaken risks and the independence between the internal audit and surveillance units are established, risk is defined in accordance with international regulations and in this context measurement, analysis, monitoring, reporting and control functions are carried.

Risk management process and the functions involved in the process is one of the primary responsibilities of the Board of Directors. The Risk Management Department, which operates under the Board of Directors has been organized as Asset-Liability Management Risk Unit, Credit Risk and Economic Capital Unit, Operational Risk and Model Verification and Subsidiary Risk Unit.

The Bank's risk management process is carried out within the framework of risk policies which are set by recommendations of Risk Management Department and issued by the Board of the Directors and written standards which contains risk policies and implemented by executive units.

These policies which are entered into force in line with the international practices are general standards which contains; organization and scope of the risk management function, risk measurement policies, duties and responsibilities of the risk management group, procedures for determining risk limits, ways to eliminate limit violations and approval and confirmation to be given in a variety of events and situations. The scope and content of the Parent Bank's risk management system is given by the main risk types.

Credit risk

Credit risk is defined as the risk of the failure to comply with the requirements or failing to fulfill its obligations partially or totally of the counter side of the transaction contract with the Parent Bank. The methodology and responsibilities of the credit risk management, controlling and monitoring and the framework of credit risk limitations specified with the credit risk policy.

The Bank defines measures and manages credit risk of the all products and activities. Board of Directors review the Parent Bank's credit risk policies and credit risk strategy on an annual basis as a minimum. Key Management is responsible for the implementation of credit risk policies which are approved by Board of Directors.

As a result of loans and credit risks analysis all findings are reported to Board of Directors and Key Management on a regular basis. In addition to transaction and company based credit risk assessment process, monitoring of credit risk also refers to an approach with monitoring and managing the credit as a whole maturity, sector, security, geography, currency, credit type and credit rating.

In the Parent Bank's credit risk management, along the limits as required by legal regulations, the Parent Bank utilizes the risk limits to undertake the maximum credit risk within risk groups or sectors that the Board of Directors determines. These limits are determined such a way that prevents risk concentration on particular sectors.

Excess risk limits up to legal requirements and boundaries limits are considered as an exception. The Board of Directors has the authority in exception process. The results of the control of risk limits and the evaluations of these limits are presented by Internal Audit and Risk Management Group to Key Management and Board of Directors.

The Bank uses credit decision support systems which are created for the purpose of credit risk management, lending decisions, controlling the credit process and credit provisioning. The consistency of the credit decision support systems with the structure of the Parent Bank's activities, size and complexity is examined continuously by internal systems. Credit decision support systems contain the Risk Committee assessment and approval of Board of Directors.

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Asset-liability management risk defined as the risk of Bank's capital being inflicted from the Bank's assets, liabilities and off-balance sheet exposures, market risk, structural interest rate risk and liquidity risk of the Bank's asset liability management.

All principles and procedures related to the generating and Appetite” related to the capital to be allocated, are determined limits and being at the limits that stipulated by the legislation. Risk limits are determined by the Board of Directors by taking income level and general expectations about changes in risk

Board of Directors and the Audit Committee are responsible for this purpose, checking the status against risk limits and p

Asset and Liability Management Committee is responsible for the framework of operating principles that are involved in the risk management in accordance with the policy statement.

Measurement of the Asset and Liability Management's risk compliance with risk limits are the responsibility of the Risk Management Committee. The measurement is examined through different scenarios. The measurement of the risk is done by the Risk Management Committee. Information related to asset-liability management risk are reported to the Risk Management Committee and the Audit Committee.

Asset and liability management processes and compliance with the internal audit system. The execution of the audit, reporting and gaps identified as a result of inspections regarding the following Directors.

Operational Risk

Operational risk is defined as “the probability of loss due to external factors or legal risks”. All risks except financial Studies consisted and are formed of occur by execution of of operational risk, providing and reporting the necessary co the world, the development of techniques and methods, nec transactions. Studies on the subject are conducted by the Der

Operational risks that arise due to the activities are defined in Bank Risk Catalogue is kind of the fundamental document that may be encountered. It is updated in line with the changes

Qualitative and quantitative methods are used in a combination. In this process, information use that obtained from "Impacts" and "Risk Indicators" methods. Methods prescribed by legal regulation are used to determine the level of risk. Methods prescribed by legal regulation are used to determine the level of risk.

All risks are assessed in the context of operational risk, loss occurred in the Parent Bank, are monitored on a regular basis and reported periodically to the Risk Committee and the Board of Directors.

The Group has investments in companies traded on the ISE acquired for investment purposes rather than.

The Bank's sensitivity to equity price risk at the reporting date, with the assumption of all other variables were held constant, is as follows. According to this assumption in equity securities revaluation, an increase / decrease is expected to be. This, in fact, the fair value increase / decrease is due.

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XIII. Explanations on Presentation of Assets and Liabilities at Fair Value

1. Information on fair values of financial assets and liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Money Market Placements	81,675	171,613	81,675	171,613
Banks	4,551,893	4,747,906	4,561,539	4,753,110
Financial Assets Available for Sale	32,173,825	33,557,066	32,173,825	33,557,066
Investments Held to Maturity	11,048,779	13,707,432	11,838,343	14,394,632
Loans ⁽¹⁾	116,233,423	99,432,775	118,594,871	99,113,476
Financial Liabilities				
Banks Deposits	3,211,812	2,377,727	3,212,239	2,373,595
Other Deposits	102,799,048	96,454,269	102,768,626	96,385,596
Funds Provided from Other Financial Institutions	19,161,912	18,874,275	19,164,808	18,733,054
Marketable Securities Issued ⁽²⁾	8,280,814	3,765,876	8,480,954	3,724,657
Funds Borrowed	9,745	7,894	9,745	7,894
Miscellaneous Payables	9,184,478	7,161,721	9,184,478	7,161,721

⁽¹⁾ Includes factoring amounts.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

Fair values of investments held to maturity and the marketable securities issued are determined by using the market prices; in cases where market prices cannot be measured, quoted market prices of other securities that are subject to amortization having similar interest, maturity and other conditions are taken as the basis for the fair value determination.

Market prices are taken into account in determining the fair values of the securities available for sale. When the prices cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values. Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

2. Information on fair value measurements recognized in the financial statements

TFRS 7 "Financial Instruments: Disclosures" requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the consolidated financial statements at their fair values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	1,200,588	11,184	6,558
Equity Securities	195,388		
Derivative Financial Assets Held for Trading		642,523	
Other	17,077	129,323	
Financial Assets Available-for-Sale			
Debt Securities	24,611,395	6,084,344	1,221,353
Equity Securities (1)	96,664		
Other		119,253	
Investments in Subsidiaries and Associates (2)	2,889,429		
Derivative Financial Liabilities		760,440	

⁽¹⁾ Since they are not traded in an active market, the equity securities (TL 40,816) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

⁽²⁾ Since unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in table.

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Prior Period
Financial Assets at Fair Value Through Profit and Loss
Debt Securities
Equity Securities
Derivative Financial Assets Held for Trading
Other
Financial Assets Available-for-Sale
Debt Securities
Equity Securities (1)
Other
Investments in Subsidiaries and Associates(2)
Derivative Financial Liabilities

⁽¹⁾ Since they are not traded in an active market, the equity securities (TL 40,816) under 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.

The movement table of financial assets at level 3 is given below:

Balance at the Beginning of the Period
Purchases
Redemption or Sales
Valuation Difference
Transfers
Balance at the end of the Period

XIV. Explanations on Transactions Carried Out on Behalf of Others

1. Transactions both in national and international capital markets are carried out on behalf of others are carried out, and portfolio management and

2. The Group has no fiduciary transactions.

XV. Explanations on Consolidated Business Segment

The Group's operations are classified as corporate, commercial and retail banking. While the commercial and corporate operations are carried out on behalf of institutions, according to their own criterion, in the classification of the Group.

Services to the large corporations, SMEs and other trading companies are provided within the course of the corporate and commercial operations. Retail banking services are comprised of individuals needs such as investment loans, deposit and cash management, credit cards, letter of guarantee, letter of credit, forfeiting, foreign currency transactions, collections and other banking services are provided for the at the Group.

Retail banking services are comprised of individuals needs such as credit cards, bill collections, remittances, foreign currency trading, investment loans, deposit and cash management, credit cards, accounts and by other banking services. Private banking and wealth management related services are provided for individuals with high net worth.

Treasury transactions are comprised of medium and long term investments, transactions, spot and forward TL and foreign currency trading, derivatives, futures and options, as well as syndications and securitization.

The Group's investments in unconsolidated associates and subsidiaries are carried out in 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							14,676,856
Interest Income from Loans	2,182,957	4,567,218	3,114,740	45,054		219,994	10,129,963
Interest Income from Banks					199,780		199,780
Interest Income from Money Market Transactions					7,762		7,762
Interest Income from Securities					4,135,462		4,135,462
Finance Lease Income	47,791	59,319					107,110
Other Interest Income	30,354	18,754	1			47,670	96,779
Interest Expense							7,834,591
Interest Expense on Deposits	1,073,789	973,261	1,802,465	1,251,535		308,044	5,409,094
Interest Expense on Funds Borrowed	157,951				259,787		417,738
Interest Expense on Money Market Transactions					1,476,204		1,476,204
Interest Expense on Securities Issued					454,618		454,618
Other Interest Expense					863	76,074	76,937
Net Interest Income							6,842,265
Net Fees and Commissions Income							1,258,319
Fees and Commissions Received	237,050	521,742	588,128	17,106	125,172	592,236	2,081,434
Fees and Commissions Paid	229,919	329,511	83		67,582	196,020	823,115
Dividend Income					205,032		205,032
Trading Income/Loss (Net)					871,070		871,070
Other Income	1,143,989	1,232,846	1,628,798	277	242,517	323,451	4,571,878
Prov. for Loans and Other Receivables	19,673	427,490	244,815	868	26,964	571,735	1,291,545
Other Operating Expense	1,022,088	1,693,298	2,813,307	73,774	196,775	1,984,131	7,783,373
Income Before Tax							4,673,646
Tax Provision							958,912
Net Period Profit							3,714,734
Group Profit/Loss							3,412,022
Non-controlling Interest Profit/Loss							302,712
SEGMENT ASSETS							
Financial Assets at FV Through P/L					2,202,641		2,202,641
Banks and Other Financial Institutions					4,551,893		4,551,893
Money Market Placements					81,675		81,675
Financial Assets Available for Sale					32,173,825		32,173,825
Loans and Receivables	41,675,594	42,829,013	27,461,747	403,235		2,848,894	115,218,483
Held to Maturity Investments					11,048,779		11,048,779
Associates and Subsidiaries					4,398,434		4,398,434
Lease Receivables	755,981	625,349			3,125		1,384,455
Other	1,148,704	169,652	1,159		1,108,704	27,586,335	30,014,554
							201,074,739
SEGMENT LIABILITIES							
Deposits	22,271,049	20,078,111	42,741,297	17,726,355		3,194,048	106,010,860
Derivative Financial Liabilities Held for Trading					760,440		760,440
Funds Borrowed	8,235,783				10,926,129		19,161,912
Money Market Funds					17,030,831		17,030,831
Securities Issued ⁽¹⁾					8,280,814		8,280,814
Other Liabilities ⁽²⁾	41,365				179,633	14,490,072	14,711,070
Provisions						10,260,057	10,260,057
Shareholders' Equity						24,858,755	24,858,755
							201,074,739

(1) Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

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

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Prior Period	Corporate	Commercial
OPERATING INCOME/EXPENSE		
Interest Income		
Interest Income from Loans	1,831,293	3,256,341
Interest Income from Banks		
Interest Income from Money Market Transactions		
Interest Income from Securities		
Finance Lease Income	38,658	63,891
Other Interest Income		32,000
Interest Expense		
Interest Expense on Deposits	1,036,710	676,571
Interest Expense on Funds Borrowed	144,067	
Interest Expense on Money Market Transactions		
Interest Expense on Securities Issued		
Other Interest Expense		
Net Interest Income		
Net Fees and Commissions Income		
Fees and Commissions Received	157,078	387,741
Fees and Commissions Paid	197,796	1,600,000
Dividend Income		
Trading Income/Loss (Net)		
Other Income	881,702	1,078,711
Prov. for Loans and Other Receivables	52,172	455,250
Other Operating Expense	1,158,205	1,481,811
Income Before Tax		
Tax Provision		
Net Period Profit		
Group Profit/Loss		
Non-controlling Interest's Shares' Profit/Loss		
SEGMENT ASSETS		
Fin. Assets At Fair Value Through P/L		
Banks and Other Financial Institutions		
Money Market Placements		
Financial Assets Available for Sale		
Loans and Receivables	39,041,767	35,680,741
Investments Held to Maturity		
Associates and Subsidiaries		
Lease Receivables	589,828	784,281
Other	347,506	404,651
SEGMENT LIABILITIES		
Deposits	20,752,480	16,978,331
Derivative Financial Liabilities Held for Trading		
Funds Borrowed	851,784	
Money Market Funds		
Securities Issued		
Other Liabilities (1)	37,784	
Provisions		
Shareholders' Equity		

(1) The borrowed funds are under the "Other Liabilities" items.

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SECTION FIVE: DISCLOSURES AND FOOTNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. Disclosures And Footnotes On Consolidated Assets

a. Cash and CBT:

a.1. Information on Cash and Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	1,064,233	616,428	797,049	352,306
Central Bank of Turkey	1,555,640	12,776,027	4,273,040	8,353,163
Other		98,799		111,019
Total	2,619,873	13,491,254	5,070,089	8,816,488

a.2. Information on Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	1,555,640	1,440,136	4,273,040	1,423,941
Unrestricted Time Deposit				
Restricted Time Deposit				
Other ⁽¹⁾		11,335,891		6,929,222
Total	1,555,640	12,776,027	4,273,040	8,353,163

⁽¹⁾ The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities

a.3. Information on reserve requirements:

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBT, banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11% for TL deposits and other liabilities, between 9%-11.5% for FC deposits and between 6%-11.5% for other FC liabilities. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

b. Information on Financial Assets at Fair Value through Profit and Loss:

b.1. Financial assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as of 31 December 2012 are amounting to TL 44,206 (31 December 2011: TL 15,311).

b.2. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as of 31 December 2012 are amounting to TL 816,410 (31 December 2011: TL 553,242).

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b.3. Positive differences on derivative financial assets held:

	TL
Forward Transactions	
Swap Transactions	
Futures	
Options	
Other	
Total	

c. Information on Banks:

c.1. Information on banks:

	Current Period
	TL
Banks	
Domestic Banks	2,747,919
Foreign Banks	94,913
Foreign Head Office and Branches	
Total	2,842,832

c.2. Information on foreign banks:

	Current Period
EU Countries	
USA, Canada	
OECD Countries (1)	
Off-shore Banking Regions	
Other	
Total	

⁽¹⁾ OECD countries other than the EU countries, USA and Canada.

d. Information on Financial Assets Available for Sale:

d.1. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked as of 31 December 2012 (31 December 2011: TL 3,513,217).

d.2. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale which are subject to repurchase agreements as of 31 December 2012 (31 December 2011: TL 17,642,045).

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d.3. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	31,945,060	33,601,630
Quoted on a Stock Exchange	25,157,963	20,794,676
Not-Quoted ⁽¹⁾	6,787,097	12,806,954
Share Certificates	148,435	86,861
Quoted on a Stock Exchange	98,830	37,916
Not-Quoted	49,605	48,945
Value Increases / Impairment Losses (-)	38,923	240,474
Other	119,253	109,049
Total	32,173,825	33,557,066

(1) Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

e. Information related to loans:

e.1. Information on all types of loans and advances given to shareholders and employees of the group:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	183,695	175	458,740	130
Total	183,695	175	458,740	130

e.2. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Amendments on Conditions of Contract		Loans and Other receivables	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
Non-specialized loans	112,774,192	1,505,985	429,046	1,944,587	343,870	145,805
Corporation loans	50,606,183	241,932	7,323	653,225	66,308 (1)	123,868
Export loans	6,977,814	2,939	2,585	76,653		
Import loans						
Loans Given to Financial Sector	2,852,927					
Consumer loans	21,988,198	1,117,461	343,667	617,312	78,700	11,033
Credit Cards	8,371,819	17	421	346,169	160,869	
Other	21,977,251	143,636	75,050	251,228	37,993	10,904
Specialized Loans						
Other Receivables						
Total	112,774,192	1,505,985	429,046	1,944,587	343,870	145,805

(1) The amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

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	Standard
Number of Amendments Related to the Extension of the Payment Plan	
Extended for 1 or 2 Times	
Extended for 3,4 or 5 Times	
Extended for More than 5 Times	

(1) The amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

	Standard
The Time Extended via the Amendment on Payment Plan	
0-6 Months	
6 Months - 12 Months	
1-2 Years	
2-5 Years	
5 Years and More	

(1) The amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

e.3. Information on Maturity analysis of cash loans:

	Performing Loans and Other Receivables	
	Loans and Other Receivables	Receivables
Short-term Loans and Other Receivables	37,390,728	
Non-Specialization Loans	37,390,728	
Specialization Loans		
Other Receivables		
Medium and Long-term Loans and Other Receivables	75,383,464	
Non- Specialization Loans	75,383,464	
Specialization Loans		
Other Receivables		

(1) The amount of TL 32,035 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

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e.4. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans-TL	563,153	21,200,707	169,037	21,932,897
Real Estate Loans	24,577	9,349,574	80,181	9,454,332
Vehicle Loans	28,920	1,277,982	8,024	1,314,926
General Purpose Consumer Loans	57,042	3,300,152	24,820	3,382,014
Other Consumer Loans	452,614	7,272,999	56,012	7,781,625
Consumer Loans – FC Indexed		52,470	30,770	83,240
Real Estate Loans		52,419	30,756	83,175
Vehicle Loans		51	14	65
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans – FC	21,256	201,852	831	223,939
Real Estate Loans		3,148		3,148
Vehicle Loans	10	522	1	533
General Purpose Consumer Loans	21,246	198,182	830	220,258
Other Consumer Loans				
Retail Credit Cards-TL	7,251,796	703,972	48,216	8,003,984
With Instalments	3,157,246	703,972		3,861,218
Without Instalments	4,094,550		48,216	4,142,766
Retail Credit Cards-FC				
With Instalments				
Without Instalments				
Personnel Loans-TL	7,058	55,676	651	63,385
Real Estate Loans		843	211	1,054
Vehicle Loans	108	1,899	12	2,019
General Purpose Consumer Loans	2,920	32,444	256	35,620
Other Consumer Loans	4,030	20,490	172	24,692
Personnel Loans- FC Indexed		512	266	778
Real Estate Loans		512	266	778
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans-FC	486	2,421	5	2,912
Real Estate Loans		274		274
Vehicle Loans				
General Purpose Consumer Loans	486	2,147	5	2,638
Other Consumer Loans				
Personnel Credit Cards-TL	108,234		427	108,661
With Instalments	47,709			47,709
Without Instalments	60,525		427	60,952
Personnel Credit Cards-FC	20	3		23
With Instalments				
Without Instalments	20	3		23
Overdraft Accounts – TL (real persons)	288,827		9,532	298,359
Overdraft Accounts – FC (real persons)				
Total	8,240,830	22,217,613	259,735	30,718,178

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e.5. Information on commercial installments loans and overdraft accounts:

	Short-Term	Medium and Long-Term
Commercial Loans With Instalments-TL	1,109,475	
Real Estate Loans	4,472	
Vehicle Loans	67,543	
General Purpose Commercial Loans	1,031,404	
Other Commercial Loans	6,056	
Commercial Loans With Instalments-FC	42,890	
Real Estate Loans		
Vehicle Loans	2,161	
General Purpose Commercial Loans	40,729	
Other Commercial Loans		
Commercial Loans With Instalments-FC	15,833	
Real Estate Loans		
Vehicle Loans	39	
General Purpose Commercial Loans	15,592	
Other Commercial Loans	202	
Corporate Credit Cards-TL	595,789	
With Instalments	105,746	
Without Instalments	490,043	
Corporate Credit Cards-FC		
With Instalments		
Without Instalments		
Overdraft Accounts – TL	753,650	
Overdraft Accounts – FC (corporate)		
Total	2,517,637	

e.6. Allocation of loan by borrowers:

Public Sector
Private Sector
Total

e.7. Domestic and foreign loans:

Domestic Loans
Foreign Loans
Total

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e.8. Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	67,524	62,352
Indirect Loans Granted to Subsidiaries and Associates		
Total	67,524	62,352

e.9. Specific provisions provided against loans:

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectability	57,272	213,790
Loans and Receivables with Doubtful Collectability	225,595	209,079
Uncollectible Loans and Receivables	1,371,911	1,686,550
Total	1,654,778	2,109,419

e.10. Information on non-performing loans (Net):

e.10.1. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled by the Group:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Current Period			
(Gross amounts before the specific provisions)	16,304	49,168	76,459
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	16,304	49,168	76,459
Prior Period			
(Gross amounts before the specific provisions)	3,747	10,499	22,178
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	3,747	10,499	22,178

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e.10.2. Movement of total non-performing loans:

	Group II Loans and Receivables with Limited Collectability
Prior Period Ending Balance	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Additions (+)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Transfers from Other NPL categories (+)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Transfers to Other NPL categories (-)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Collections (-)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Write-Offs (-) ⁽¹⁾	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Foreign Currency Effect	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Current Period Ending Balance	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Specific Provisions (-)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Net Balance on Balance Sheet	

(1) Portfolio of non-performing loans in the current year, part of the 136,64 transferred to the Girişim Varlık A.Ş. as a value of 28,656. Part of the 285, transferred to the LBT Varlık Yönetim A.Ş. as a value of 50,127 TL.

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e.10.3. Information on the Group's foreign currency non-performing loans and other receivables:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance	14,521	26,796	82,476
Specific Provisions (-)	3,219	10,488	65,938
Net Balance on Balance Sheet	11,302	16,308	16,538
Prior Period:			
Period Ending Balance	39,326	10,303	73,367
Specific Provisions (-)	39,326	10,303	73,367
Net Balance on Balance Sheet			

e.10.4. Information on gross and net non-performing loans and receivables as per customer categories:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)			
Loans to Individuals and Corporate (Gross)	281,477	455,384	1,370,005
Specific Provisions (-)	57,272	225,595	1,324,295
Loans to Individuals and Corporate (Net)	224,205	229,789	45,710
Banks (Gross)			70
Specific Provisions (-)			70
Banks (Net)			
Other Loans and Receivables (Gross)			47,546
Specific Provisions (-)			47,546
Other Loans and Receivables (Net)			
Prior Period (Net)			
Loans to Individuals and Corporate (Gross)	178,702	164,051	1,681,207
Specific Provisions (-)	178,702	164,051	1,681,207
Loans to Individuals and Corporate (Net)			
Banks (Gross)	82		
Specific Provisions (-)	82		
Banks (Net)			
Other Loans and Receivables (Gross)	35,006	45,028	5,343
Specific Provisions (-)	35,006	45,028	5,343
Other Loans and Receivables (Net)			

e.11. Main principles of liquidating for uncollectible loans and other receivables:

In order to ensure the liquidation of non-performing loans, all possibilities evaluated to ensure maximum collection according to the legislation. First of all, administrative initiatives are taken to deal with the borrower. Collection through legal proceedings used if there is no possibility of collection and configuration with the interviews for other receivables.

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e.12. Explanations on write-off policy:

When the failure to obtain due to lack of legal follow-up, although conversion of all the assets of debtors with the balance, receivable, by such evidence is available on borrower uncollectible receivables are written-off by the destruction of the documents.

f. Held to Maturity Investments:

f.1. Information on held to maturity investments, which are:

As of 31 December 2012, held to maturity investments, which are (31 December 2011: TL 2,014,400).

f.2. Information on held to maturity investments, which are:

As of 31 December 2012, assets held to maturity, which are (31 December 2011: TL 4,616,246).

f.3. Information on government securities held to maturity:

Government Bonds
Treasury Bills
Other Public Debt Securities
Total

f.4. Information on held-to-maturity investments:

Debt Securities
Quoted on a Stock Exchange
Not Quoted ⁽¹⁾
Total

⁽¹⁾ Indicates unlisted debt securities, and debt securities that have not been quoted on a stock exchange.

f.5. Movement of held to maturity investments within the period:

Beginning Balance
Foreign Exchange Differences Arising on Monetary Assets
Purchases During the Year
Disposals through Sales and Redemption
Impairment Losses (-)
Valuation Effect
Balance at the End of the Period

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g. Information on Associates (Net):

g.1. Information on unconsolidated associates: None.

g.2. Information on consolidated associates:

	Title	Address (City/ Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	79.42

Information on financial statements of associates in the above order:

Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income ⁽¹⁾	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
2,809,236	421,475	29,610	128,219	70	59,860	47,834	

⁽¹⁾ Includes interest income on securities.

g.3. Movement of investments in consolidated associates:

	Current Period	Prior Period
Beginning balance	85,295	85,295
Movements during the period		
Purchases		
Bonus shares acquired		
Dividends received from the current year profit		
Sales		
Revaluation Increase		
Impairment		
Balance at the end of the period	85,295	85,295
Capital commitments		
Contribution in equity at the end of the period (%)		

g.4. Sectoral information on consolidated associates and the related carrying amounts:

	Current Period	Prior Period
Banks	85,295	85,295
Insurance Companies		
Factoring Companies		
Leasing Companies		
Finance Companies		
Other Financial Participations		
Total	85,295	85,295

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g.5. Consolidated associates traded on a stock exchange:

g.6. Consolidated associates disposed of in the current period:

g.7. Consolidated associates acquired in the current period:

g.8. Other issues related to associates:

During the current period, İş Girişim Sermayesi Yatırım Ortaklığı Sanayi ve Ticaret A.Ş. for TL 18,814 (USD 10.5 million) in return for TL 35,110 (EUR 15.2 million) in return. During the current period, 58.5% share of Toksöz Spor Malzemeleri Ticaret A.Ş. in amount of TL 27,000 TL.

h. Information on subsidiaries (Net):

h.1. Information on the significant size of the subsidiaries:

	Türkiye Sınai Kalkınma Bankası A.Ş.	İn- Re- Con-
SHAREHOLDERS' EQUITY	1,782,340	
Paid-in Capital	1,100,374	
Share Premium	388	
Reserves	230,950	
Current Period Profit and Prior Periods' Profit	369,263	
Non-Controlling Interest Rights	84,258	
Deductions from Shareholders' Equity (-)	(2,893)	
SUPPLEMENTARY CAPITAL	190,483	
CAPITAL	1,972,823	
DEDUCTIONS FROM THE CAPITAL	(210,420)	
CONSOLIDATED CAPITAL	1,762,403	

⁽¹⁾ These are as at 30 September 2012 amounts.

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h.3. Information on consolidated subsidiaries:

⁽¹⁾ Indirect share of the Group is considered as the Parent Bank's share percentage.

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(1) Includes interest income on securities.

(2) Financial information as at 30 September 2012 is presented whereas

(1) TL 225,428 recognized in the current period is comprised of the following: TL 1,000,000 is the remaining amount of the purchase of the shares of the Joint Stock Company İşbank and TL 7,316 is the remaining amount of the Closed Joint Stock Company İşbank's purchase. And the rest is the profit reserves.

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h.5. Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	1,386,942	793,824
Insurance Companies	1,230,445	968,185
Factoring Companies		
Leasing Companies	110,282	107,413
Finance Companies		
Other Financial Subsidiaries	692,465	500,041
Total	3,420,134	2,369,463

h.6. Consolidated subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	2,609,034	1,716,327
Traded on foreign stock exchanges		

h.7. Consolidated subsidiaries disposed of in the current period: None.

h. 8. Subsidiaries acquired in the current period: None.

h. 9. Other issues on subsidiaries:

İş Yatırım Ortaklığı A.Ş. which is the consolidated subsidiary has acquired another consolidated subsidiary TSKB Yatırım Ortaklığı A.Ş. through direct acquisition. The acquisition agreement for the transfer was registered on 16 July 2012 and published in the Trade Registry Gazette dated 20 July 2012.

i. Information on jointly controlled entities (Net):

There are no jointly controlled entities of the Parent Bank.

j. Information regarding finance lease receivables (Net):

j.1. Presentation of finance lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	560,948	462,386	494,985	403,078
1-4 Years	839,058	724,509	882,020	765,864
More than 4 Years	206,619	194,435	222,360	205,170
Total	1,606,625	1,381,330	1,599,365	1,374,112

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

	Current Period (1)	Prior Period
Gross Finance Lease Investment	1,606,625	1,599,365
Unearned Finance Revenue from Finance Lease (-)	225,295	225,253
Net Finance Lease Investment	1,381,330	1,374,112

(1) Portfolio of non-performing lease receivables in the current year, part of the 15,931 TL which is consisting of 3,580 TL receivables previously written off transferred to the LBT Varlık Yönetim A.Ş. as a value of TL 189.

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j.3. Presentation of operating lease receivables according to their remaining maturities:

	C
	Gross
Less than 1 Year	
1-4 Years	
More than 4 Years	
Total	

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

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

l. Information on Tangible Assets (Net):

Current Period	Real Estates
Acquisition Cost	
Balance at the Beginning of the Period	3,773,052
Movements in the Period	
- Acquisitions (1)	176,694
- Disposals	(167,825)
- Impairment (2)	7,110
- Transfers	(55,835)
- Foreign Currency Difference	(10,525)
Balance at the End of the Current Period	3,722,671
Accumulated Depreciation	
Balance at the Beginning of the Period	(2,235,018)
Movements in the Period	
- Depreciation Charge	(55,832)
- Disposals	47,520
- Impairment	775
- Transfers	(3,541)
- Foreign Currency Difference	3,062
Balance at the End of the Current Period	(2,243,034)
Net Book Value at the End of the Prior Period	1,538,034
Net Book Value at the End of the Current Period	1,479,637

(1) As at the balance sheet date, the Bank's book value of tangible assets at current period. Book value of tangible assets which is obtained in return of
(2) They are the impairment releases related to the real estates, whose fair value is determined by independent valuation companies.

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	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Prior 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 at the balance sheet date, the Bank's book value of tangible assets acquired through financial leasing TL 5,916(2011: TL 22,091), and there is no entry in the current period. Book value of tangible assets which is obtained in return of receivables during the year is TL 45,174.

(2) They are the impairment releases related to the real estates, whose fair values have increased due to their renewed appraisals.

m. Information on Intangible Assets:

Explanation regarding consolidation goodwill that is included in intangible assets is given in Section Three under the caption of "XII. Explanations on Goodwill and Other Intangible Assets." The table consisting movements of other intangible assets are presented below.

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	325,369	217,299
Movements in the Period		
- Acquisitions	140,075	96,988
- Disposals	(58)	(2,614)
- Impairment (-)		
- Transfers		10,800
- Foreign Currency Difference	(600)	2,896
- Impact of Consolidated Subsidiaries		
Balance at the End of the Period	464,786	325,369
Accumulated Amortization		
Balance at the Beginning of the Period	(234,607)	(168,355)
Movements in the Period		
- Amortization Charge (-)	(77,146)	(53,468)
- Disposals	58	270
- Impairment		
- Transfers		(10,242)
- Foreign Currency Difference	562	(2,812)
- Impact of Consolidated Subsidiaries		
Balance at the End of the Current Period	(311,133)	(234,607)
Net Book Value at the End of the Prior Period	90,762	48,944
Net Book Value at the End of the Period	153,653	90,762

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n. Information on investment property:

Investment properties are properties that the Group holds to earn rental income. They are classified as investment properties in Section Three Note XIV.

Acquisition Cost
Balance at the Beginning of the Period
Movements in the Period
- Acquisitions
- Disposals (-)
- Impairment
- Transfers
- Impact of Consolidated Subsidiaries
Balance at the End of the Period
Accumulated Amortization
Balance at the Beginning of the Period
Movements in the Period
- Depreciation Charge (-)
- Disposals
- Impairment
- Transfers
Balance at the End of the Current Period
Net Book Value at the End of the Prior Period
Net Book Value at the End of the Period

o. Information on deferred tax asset:

As of 31 December 2012, the Parent Bank and the other consolidated entities have deferred tax assets of TL 703,973. Such deferred tax asset is calculated based on the temporary differences between the carrying amounts of assets and liabilities and their tax basis measured as per the provisions of the Income Tax Law No. 193. The temporary differences are followed under equity, the related

Tangible Assets Base Differences	
Provisions ⁽¹⁾	
Finance Lease Income Accruals	
Valuation of Financial Assets	
Other ⁽²⁾	
Net Deferred Tax (Asset)/Liability:	

⁽¹⁾ Comprised of employee termination benefits, actual and technical deferred tax assets, credit card bonus points, and other provisions.

⁽²⁾ The investment incentive application has ceased starting from 1 January 2010. The investment incentive application has been used as at 31 December 2005 are enabled to be used by deducting from the taxable income. If not deducted from the 2008 income, will not be transferred to other periods. The regulation that removes the gained rights at the meeting on 15 October 2010. The investment incentive was removed as a result of the decision of the Council of Ministers dated 8 January 2010. Within this context, İş Finansal Kiralama A.Ş.'s investment incentive and TL 42,721 (31 December 2011: TL 62,775) calculated over the related investment incentive.

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The movement of deferred tax asset is as follows:

	Current Period	Prior Period
Balance at the Beginning of the Period	631,694	815,924
Deferred Tax Benefit / (Charge) (Net)	304,553	(313,445)
Deferred Tax Recognized under Equity	(239,600)	127,028
Foreign Currency Difference	56	(205)
Impact of Consolidated Subsidiaries		2,392
Deferred Tax Asset (1)	696,703	631,694

(1) In the current period consolidated financial statements, deferred tax asset amounts to TL 703,973 and the deferred tax liability amounts to TL 7,270; the movement table states the net balance. Explanations on deferred tax liability are given in Section Five footnote II i.2.

p. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Net Book Value at the Beginning of the Period	60,256	54,233
Additions	1,089	66,563
Transfers (Net)	79,017	6,187
Disposals (-) (Net)	(65,753)	(63,976)
Impairment Losses (-)		
Depreciation	(1,314)	(2,751)
Net Book Value at the End of the Period	73,295	60,256

The Group has no discontinued operations. The assets classified as "Assets Held for Sale" of the Group consist of real estates. Those real estates of the Parent Bank subject to sale are announced on the Parent Bank's web site. Announcements about the real estates subject to sale are also made by means of newspaper advertisements and similar media.

q. Information on Other Assets of the Group:

The "other assets" item does not exceed 10% of total assets.

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II. Disclosures and Footnotes On Consolidated Liabilities

a. Information on Deposits:

a.1. The maturity structure of deposits (Current Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months
Savings Deposits	5,580,363		4,031,259	30,161,7
Foreign Currency Deposits	7,107,652		5,850,945	16,654,9
Residents in Turkey	6,216,006		5,225,162	15,427,1
Residents Abroad	891,646		625,783	1,227,8
Public Sector Deposits	492,556		34,022	821,7
Commercial Deposits	4,967,759		2,398,335	5,186,2
Other Institutions Deposits	211,261		200,728	6,557,2
Precious Metals Deposits	2,751,819		116,440	4,7
Interbank Deposits	235,228		842,336	1,505,0
The Central Bank of Turkey	56,997			
Domestic Banks	7,994		627,516	283,9
Foreign Banks	163,105		214,820	1,221,1
Participation Banks	7,132			
Other				
Total	21,346,638		13,474,065	60,891,7

a.2. The maturity structure of deposits (Prior Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months
Savings Deposits	5,005,140		4,200,439	28,040,1
Foreign Currency Deposits	6,296,721		5,781,985	16,412,5
Residents in Turkey	5,611,233		5,313,900	15,681,8
Residents Abroad	685,488		468,085	730,6
Public Sector Deposits	208,535		419,186	398,0
Commercial Deposits	4,521,788		1,444,240	4,445,5
Other Institutions Deposits	273,119		607,730	2,949,2
Precious Metals Deposits	2,479,052			
Interbank Deposits	270,076		550,609	865,1
The Central Bank of Turkey	83,478			
Domestic Banks	11,135		48,085	291,2
Foreign Banks	172,094		502,524	573,8
Participation Banks	3,369			
Other				
Total	19,054,431		13,004,189	53,110,6

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a.3. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund exceeding the insurance limit:

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	17,246,503	16,344,278	23,879,880	24,004,306
Foreign Currency Savings Deposits	6,101,391	5,949,499	16,103,380	14,165,256
Other Deposits in the Form of Savings Deposits	1,518,080	1,293,378	1,205,813	1,085,426
Foreign Branches' Deposits Under Foreign Authorities' Insurance	2,375,931	2,207,773	103,711	53,161
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			28,337	17,827

a.4. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Saving Deposits and Other Accounts	346,412	281,487
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	9,769	8,957
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code Numbered 5237 and Dated 26 September 2004		
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey		

b. **Information on Derivative Financial Liabilities Held for Trading:**

Negative differences on derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	13,362	47,436	103,796	124,384
Swap Transactions	372,702	283,920	363,765	233,635
Futures	124		873	339
Options	6,226	34,645	269	43,930
Other	1,302	723	2,333	42,762
Total	393,716	366,724	471,036	445,050

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c. **Information on Funds Borrowed:**

c.1. Information on banks and other financial institutions:

	Current Period
	TL
Funds borrowed from the Central Bank of Turkey	
Domestic banks and institutions	1,003,219
Foreign banks, institutions and funds	843,131
Total	1,846,350

c.2. Maturity analysis of funds borrowed:

	Current Period
	TL
Short-term	1,790,826
Medium and Long-term	55,524
Total	1,846,350

c.3. Information on funds borrowed:

Information on funds received through syndicated loans and funds borrowed, are given below.

Syndicated loans:

Date of Use	Funds Borrowed
May 2012	USD 241,000,000 + EUR 742,500,000
September 2012	USD 404,500,000 + EUR 572,600,000
July 2012	USD 15,000,000 + EUR 65,000,000

Securitization deals:

The Parent Bank obtained funds by way of putting on sale diversified payment rights in USD, EUR and GBP through its claims and receivables based on FC debit and credit Company Limited, both of which are special purpose vehicle

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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 of 31 December 2012
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 32,000,000
May 2005	TIB Diversified Payment Rights Finance Company	USD 700,000,000	5-8 years	USD 25,000,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 70,849,231
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 184,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 235,000,000
October 2011	TIB Diversified Payment Rights Finance Company	USD 75,000,000	5 years	USD 75,000,000
October 2011	TIB Diversified Payment Rights Finance Company	EUR 160,000,000	5-7 years	EUR 160,000,000
June 2012	TIB Diversified Payment Rights Finance Company	USD 225,000,000	5 years	USD 225,000,000
June 2012	TIB Diversified Payment Rights Finance Company	EUR 125,000,000	12 years	EUR 125,000,000

d. Information on Marketable Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	3,487,256		1,888,329	
Bonds	1,191,118	1,797,989	934,096	943,451
Total	4,678,374	1,797,989	2,822,425	943,451

Concentration of the liabilities of the Group:

Of the Group's liabilities 53% are comprised of deposits, 7% are comprised of funds provided from repurchase agreements and 9% are comprised of funds borrowed and marketable securities issued. Deposits are distributed among a large variety of customers with different characteristics. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. No risk concentration exists related to the Group's liabilities.

e. Information on Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

f. Information on Lease Payables (Net):

The group does not have any liabilities resulting from finance lease transactions.

g. Information on Derivative Financial Liabilities Held for Risk Management:

The Group does not have any derivative financial liabilities held for risk management purposes.

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h. Information on Provisions:

h.1. Information on general loan loss provisions:

General Loan Loss Provisions
Provision for Group I Loans and Receivables
- Additional Provision for Loans and Receivables with Extended Maturity
Provision for Group II Loans and Receivables
- Additional Provision for Loans and Receivables with Extended Maturity
Provision for Non-cash Loans
Other

h.2. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreement, employee termination benefits to employees who retire, die or are dismissed as defined in the related regulation or to the female employees who are dismissed on the date of their marriage. In accordance with the related regulation, the base salary ceiling for employee termination benefits is TL 3,033.98 (full TL amount as of 31 December 2012), which is set aside and reflected to the financial statements.

The main actuarial assumptions used in the calculation of the provisions are as follows:

- discount and inflation rates, which vary by years, and salaries was taken as 2%.
- TL 3,033.98 (full TL amount) salary ceiling, which is used for the calculations.
- the age of retirement is considered as the earliest age of retirement.
- CSO 1980 table is used for the mortality rate for female employees.

The movements related to provision for employee termination benefits are as follows:

Present value of defined benefit obligation at the beginning of the period
Service Cost
Interest Cost
Benefits paid
Loss/(Gain) due to Settlements / Reductions / Terminations
Actuarial loss/(gain)
Impact of Consolidated Companies
Defined benefit obligation at the end of the period

In addition to the employee termination benefits, the Group also has provisions for the unused vacation pay liability. As of 31 December 2012, amounting to TL 28,926 (31 December 2011: TL 26,790).

h.3. Provisions for exchange losses in the principal amount:

Since foreign currency indexed loans are followed based on the exchange rates decrease and makes profit if the exchange rates increase for the currency evaluation losses in the principal amount is offset against foreign currency indexed loan balance.

h.4. Specific provisions for non-cash loans, which are non-performing loans:

As of 31 December 2012, TL 102,568 provision (31 December 2011: TL 102,568) for non-performing loans of companies whose loans are followed under non-performing loans.

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h.5.1. Provisions for potential risks:

h.5.2. Liabilities arising from retirement benefits:

Within the scope of the explanations given in Section Three Note XVIII, in the actuarial report which was prepared as of 31 December 2012 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act numbered 506, the amount of actuarial and technical deficit stands at TL 1,778,210. The Parent Bank, provide provisions for the foundation which is situated in the income statement for the previous years as amount of the TL 1,338,159 with newly identified amount of TL 440,051 additional provision for the difference.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of 31 December 2012, in other words, it measures the amount to be paid to the Social Security Institution by the Parent Bank.

- CSO 1980 mortality table is used.

On the other hand "Provisional Article 39" is added to Social Security and General Health Insurance Law numbered 5510 via Amendment to Social Security and General Health Insurance Law numbered 6283 published in the Official Gazette dated 8 March 2012 and numbered 28227. According to aforementioned amendment, while members payments which is paid for retired or died before January 2000 and entitled invalidity, old-age pension per indexed system of the Law numbered 506 and members' payments, which is paid for invalidity or old-age before January 2000 and died after this date, will be recalculated. This application will be used from the date of 1 January 2013. In this context, actuarial calculation, invalidity, elderliness or survivor's pension who take salary to the foundation mentioned calculation made considering regulation. The amount of the actual and Technical Deficit played an important role in the regulation which mentioned like increase over the previous year.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(4,323,548)	(3,666,014)
Net Present Value of Long Term Insurance Line Premiums	1,779,033	1,562,338
Net Present Value of Total Liabilities Other Than Health	(2,544,515)	(2,103,676)
Net Present Value of Health Liabilities	(581,571)	(482,099)
Net Present Value of Health Premiums	1,014,295	929,964
Net Present Value of Health Liabilities	432,724	447,865
Pension Fund Assets	333,581	317,652
Amount of Actuarial and Technical Deficit	(1,778,210)	(1,338,159)

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

	Curre
Cash	
Securities Portfolio	
Other	
Total	

i. **Information on Tax Liability:**

i.1.1. Information on tax provision:

i.1.2. Information on taxes payable:

Corporate Tax Payable
Tax on Securities Income
Tax on Real Estate Income
Banking Insurance Transaction Tax
Foreign Exchange Transaction Tax
Value Added Tax Payable
Other
Total

Social Security Premiums - Employees
Social Security Premiums - Employer
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
Unemployment Insurance – Employer
Other
Total

The Parent Bank and the consolidated Group companies have deferred tax assets and liabilities. The related deferred tax liability is calculated over the ten-year period of the assets and liabilities in the records and their tax base values calculated at the end of the reporting period.

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Deferred Tax Liability:	Current Period	Prior Period
Tangible Assets Tax Base Differences	1,416	2,197
Provisions ⁽¹⁾	(2,466)	(251)
Valuation of Financial Assets	7,483	1,844
Other	837	300
Net Deferred Tax Liability	7,270	4,090

(1) Comprised of employee benefits provisions.

j. Information on payables for assets held for sale and discontinued operations:

The Group does not have any payables for assets held for sale and discontinued operations.

k. Explanations on subordinated debts:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks				
Other Domestic Institutions				
Foreign Banks				
Other Foreign Institutions		1,893,576		95,000
Total		1,893,576		95,000

The Parent Bank, issued 10 year- term bond with a nominal value of USD 1,000,000,000 which is like subordinated loans for the individual and legal persons who are resident abroad. The Bond which has TL 1,804,451 balance sheet value at the end of the period has 6% interest rate.

TSKB, consolidated subsidiary of the Parent Bank, has used a subordinated debt amounting USD 50 million from International Finance Corporation through direct financing on 5 November 2004. The maturity date of the subordinated debt with interest rate of Libor +3.25% and without any repayment of principal in the first five years is 15 October 2016.

l. Information on consolidated shareholders' equity:

l.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,499,970	4,499,970
Preferred shares	30	30
Total	4,500,000	4,500,000

l.2. Explanation as to whether the registered share capital system ceiling is applicable at bank, if so, the amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	10,000,000

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

l.3. The capital increase made in current period: None.

l.4. Capital increase through transfer from capital reserves during the current period: None.

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l.5. Significant commitments of the Parent Bank relating to the quarter, the general purpose thereof, and the effect of these commitments.

l.6. Information regarding the shares of the company and the rights of the shareholders on their own share.

l.7. Previous periods' indicators related to income, profit and loss, which are to be made by taking into consideration the unconsolidated Parent Bank's and the Group companies' balance sheets are arising from interest rates, exchange rates and loans is at the profitability performance.

l.8. Privileges Granted to Shares:

- Group (A) shares each with a nominal value of 1 Kuruş, are granted privileges in distribution of profits and dividends as follows:
- receiving 20 times the number of shares in the balance sheet (Article 49 of the Articles of Incorporation),
 - exercising the preference rights as 20 times the number of shares in the balance sheet (Article 49 of the Articles of Incorporation),
 - 20 voting rights (Article 49 of the Articles of Incorporation).

Despite having a lower nominal value, Group (B) shares, each with the Group (C) shares having a nominal value of 4 Kuruş, are granted privileges in distribution of profits and dividends as follows:

l.9. Information on marketable securities value increase:

	Current Period
	TL
Associates, Subsidiaries and Jointly Controlled Entities	1,556,431
Valuation Difference	1,556,431
Foreign Exchange Differences	
Financial Assets Available for Sale	582,156
Valuation Difference	735,080
Deferred Tax Effect on Valuation	(152,924)
Foreign Exchange Differences	
Total	2,138,587

m. Explanations on Non-controlling Interest:

Paid-in Capital
Share Premium
Marketable Securities Revaluation Reserve
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)
Legal Reserves
Statutory Reserves
Extraordinary Reserves
Other Profit Reserves
Prior Years' Profit / Loss
Current Year Profit/ Loss ⁽¹⁾
Period Ending Balance

⁽¹⁾ Difference between effective and direct shareholding rate was TL 31,851

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III. Disclosures and Footnotes on Consolidated Off-Balance Sheet Items

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

a.1. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 15,742,457 and commitment to pay for cheque leaves amounts to TL 6,214,562. The amount of commitment for the forward purchase of assets is TL 447,164 and for the forward sale of assets is TL 448,108.

a.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items. Commitments are shown in the table of “Off-Balance Sheet Items”.

a.3. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	1,298,250	876,324
Letters of Credit	5,220,486	5,761,529
Other Guarantees	631,010	714,960
Total	7,149,746	7,352,813

a.4. Certain guarantees, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Letters of Tentative Guarantees	1,114,185	1,201,212
Letters of Certain Guarantees	16,125,063	13,702,059
Letters of Advance Guarantees	3,881,401	3,005,909
Letters of Guarantee Given to Customs Offices	1,053,538	905,572
Other Letters of Guarantee	773,274	1,109,521
Total	22,947,461	19,924,273

a.5. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	846,859	417,207
With Original Maturity of 1 Year or Less	175,287	87,345
With Original Maturity More Than 1 Year	671,572	329,862
Other Non-cash Loans	29,250,348	26,859,879
Total	30,097,207	27,277,086

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a. 6. Sectoral Risk Concentration of Non-cash Loans:

	Current Period	
	TL	(%)
Agriculture	130,276	1.01
Farming and Stockbreeding	80,122	0.62
Forestry	47,384	0.37
Fishery	2,770	0.02
Industry	4,471,797	34.64
Mining and Quarrying	125,429	0.97
Manufacturing	2,828,465	21.91
Electricity, Gas, Water	1,517,903	11.76
Construction	2,151,167	16.67
Services	5,993,371	46.43
Wholesale and Retail Trade	3,471,452	26.89
Hotel and Restaurant Services	106,912	0.83
Transportation and Communication	404,301	3.13
Financial Institutions	1,276,326	9.89
Real Estate and Rental Services	255,909	1.98
Self-Employed Services	399,197	3.09
Educational Services	18,859	0.15
Health and Social Services	60,415	0.47
Others	161,496	1.25
Total	12,908,107	100.00

a.7. Non-cash Loans classified under Group I and Group II:

Non-cash Loans	
Letters of Guarantee	
Bank Acceptances	
Letters of Credit	
Endorsements	
Underwriting Commitments of the Securities Issued	
Factoring Related Guarantees	
Other Guaranties and Warranties	

b. Information on Derivative Financial Instruments

Majority of the Group’s derivative transactions comprise exchange trading, currency and interest rate options. Even risk hedging, since all necessary conditions to be defined as met, they are recognized as “held for trading purposes” and “Recognition and Measurement”.

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c. Explanations Related to Contingencies and Commitments:

As of 31 December 2012, balance of the "Other Irrevocable Commitments" account, which comprised the letters of guarantees, guarantees and commitments submitted by the Group pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Parent Bank and the commitments due to housing loans extended within the scope of unfinished house projects followed, amounts to TL 8,040,797. As of 31 December 2012, liability of the Parent Bank regarding the cheques given to customers is presented under off balance sheet commitments, as per the related regulations is amounting to TL 6,124,562. In case the cheques presented for payment to beneficiaries are not covered, the Parent Bank will be obliged to pay the uncovered amount up to TL 615 (full amount expressed) for the cheques that are subject to the Law numbered 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", and up to TL 1,045 (full amount) for the cheques that are subject to the "Cheque Law" numbered 5941. The uncollected amount will be followed under "Indemnified Non-Cash Loans".

On the other hand, according to the decision numbered 11-55/1438 dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the parent bank, allegedly violating the fourth substance of Law numbered 4054 is continuing. As determined by Bank's management all activities subject to investigation is in conformity with the legislation, therefore, provided no provision as of 31 December 2012.

The Bank made payments (contribution) to "Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı" which is founded according to Turkish Commercial Law and Civil Law. The Bank made contribution for related legislation to fulfill its obligations to the Foundation. In relation to the contributions made by the Bank Tax Audit Committee was conducted an inspection by their inspectors. As a result of this review, the amount of the liability, at the time of payment, for the members of the foundation worker has an interest in the nature of fee thus it comes to income tax withholding, penalty of payments / penalty to be stamp duty on the cut right on account of an investigation report was prepared for the periods of 2007 and 2008. According to this report, to the Bank, penalize income tax / stamp duty performed assessments in regarding to the mentioned period at the date 14.02.2013 the total 73.7 million income tax penalty notification was notified. The evaluation of the subject that the Bank's implementation is compliance with the legislation, there is no legal basis for the tax administration's suspended assessments, therefore, there is no provision need not considered and The Bank has used the legal rights of that assessment. Therefore, no provision has provided as of 31 December 2012.

d. Explanations related to transactions made on behalf of or on the account of others:

It is explained in Note XIV under Section Four.

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IV. Disclosures and Footnotes on the Consolidated Income Statement

a. Interest Income

a.1. Information on interest income on loans:

Interest Income on Loans ⁽¹⁾	
Short-term Loans	
Medium and Long-term Loans	
Interest on Non-performing Loans	
Premiums Received from State Resource Utilization Support Fund	
Total	

⁽¹⁾ Includes fee and commission income on cash loans.

a.2. Information on interest income on banks:

The Central Bank of Turkey	
Domestic Banks	
Foreign Banks	
Foreign Head Offices and Branches	
Total	

a.3. Information on interest income from securities:

Interest Income on Financial Assets Held for Trading	
Interest Income on Financial Assets at Fair Value through Profit and Loss	
Interest Income on Financial Assets Available for Sale ⁽¹⁾	
Held to Maturity Investments ⁽¹⁾	
Total	

⁽¹⁾ Total of TL 1,458,756 of interest income from related investments (1,462,732).

a.4. Information on interest income received from associates:

Interest Income from Associates and Subsidiaries	

b. Interest Expense

b.1. Information on interest expense from funds borrowed:

Banks	
Central Bank of Turkey	
Domestic Banks	
Foreign Banks	
Foreign Head Offices and Branches	
Other Institutions	
Total ⁽¹⁾	

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

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

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	31,308	19,354

b.3. Information on interest paid on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued	385,209	69,049	167,914	41,792

b.4. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits						Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year	Accumulated Deposits	
TL								
Bank Deposits	1	7,977	64,301	10,638	1,598	109		84,624
Savings Deposits	8	250,536	2,641,686	150,536	37,642	41,845		3,122,253
Public Sector Deposits		2,210	5,999	138	5	41		8,393
Commercial Deposits	42	164,949	422,432	23,584	1,910	13,828		626,745
Other Institutions Deposits	2	32,851	457,570	48,381	9,621	115		548,540
Deposits with 7 Days Notice								
Total	53	458,523	3,591,988	233,277	50,776	55,938		4,390,555
FC								
Foreign Currency Deposits	800	119,889	592,797	101,473	28,325	129,883		973,167
Bank Deposits	34	5,398	25,016	6,849	1,191	6,565		45,053
Deposits with 7 Days Notice								
Precious Metals Deposits					304	15		319
Total	834	125,287	617,813	108,322	29,820	136,463		1,018,539
Grand Total	887	583,810	4,209,801	341,599	80,596	192,401		5,409,094

c. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading	3,462	3,819
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	4,658	4,267
Other	196,912	163,391
Total	205,032	171,477

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d. Information on trading income/losses (Net):

Profit
Securities Trading Gains
Gains on Derivative Financial Instruments
Foreign Exchange Gains
Losses (-)
Securities Trading Losses
Losses on Derivative Financial Instruments
Foreign Exchange Losses
Trading Income/Losses (Net)

As of 31 December 2012, income arising from foreign currency changes relating to the year ended 31 December 2012 amounting TL 2,330,662 and the amount of net profit is TL 78,895 (31 December 2011 amounting TL 2,330,662 and the amount of net profit is TL 78,895)

e. Information on other operating income:

As at reporting period, TL 3,193,334 of other operating income is derived from insurance and reinsurance companies; 95% of which is from insurance and reinsurance companies; 5% of which is from other operating income are composed of collections and cancellations of income from non-performing loans. The rest of income consists of interest income, fee income received from customers on various bank services, fee income received from customers on various bank services, fee income received from customers on various bank services.

In prior period, operating income of insurance and reinsurance companies was TL 3,193,334 and the amount of net profit is TL 78,895 (31 December 2011 amounting TL 2,330,662 and the amount of net profit is TL 78,895).

f. Information on provision for impairment on loans and other receivables:

Specific Provisions for Loans and Other Receivables
Group III Loans and Receivables
Group IV Loans and Receivables
Group V Loans and Receivables
General Loan Provision Expenses
Provision Expenses for Potential Risks
Impairment Losses on Marketable Securities
Financial Assets at Fair Value through Profit and Loss
Financial Assets Available for Sale
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity
Associates
Subsidiaries
Jointly Controlled Entities
Investments Held to Maturity
Other
Total

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g. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	2,198,868	2,155,047
Reserve for Employee Termination Benefits	117,127	38,038
Bank Pension Fund Deficit Provisions	445,976	24,311
Impairment Losses on Tangible Assets	288	
Depreciation Expenses of Tangible Assets	222,005	217,779
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	77,146	53,468
Impairment Losses on Investments Accounted Under Equity Method		
Impairment Losses on Assets to be Disposed	1,803	1,197
Depreciation Expenses of Assets to be Disposed	9,209	7,622
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	1,407,119	1,286,879
Operational Lease Related Expenses	166,896	149,377
Repair and Maintenance Expenses	31,955	28,471
Advertisement Expenses (1)	178,635	182,027
Other Expenses (1)	1,029,633	927,004
Loss on Sale of Assets	4,554	2,073
Other (2)	3,299,278	2,829,381
Total	7,783,373	6,615,795

(1) Expense amount of the group's donation, contributions and social responsibility projects is TL 31,074 in the current period.

(2) A portion of the net profit for the period is distributed as a dividend to employees taking into consideration, provision for the dividend to be distributed to employees in accordance with "IAS 19-Employee Benefits" and also includes the provision related to period for possible wage increase taking into account of renewing collective bargaining agreement, which is ended in the current period, have not yet been completed.

On the table above, TL 2,481,949 of other operating expense includes insurance and reinsurance companies' expenses which are related with their operations. The paid claims comprise almost the total of this amount in the current period, too.

In prior period, TL 2,304,799 of other operating expense included insurance and reinsurance companies' expenses and 13% of that amount consists of technical provisions and 87% of that amount is compensation paid expenses.

h. Information on profit/loss before taxes including profit/loss from continuing and discontinued operations

The Group's profit before tax is generated from its continuing operations. The profit before tax consists of net interest income of TL 6,842,265, net fee and commission income of TL 1,258,319 and the other operation expenses amount to TL 7,783,373.

i. Information on Provision for taxes including taxes from continuing and discontinued operations

As of 31 December 2012 the amount of the Group's tax provision is TL 958,912 and the amount consists of current tax expense that is amounting to TL 1,263,465 and consists of deferred tax income amounting TL 304,533.

j. Information on net operating profit/loss after taxes including net profit/loss from continuing and discontinued operations:

The Group's net profit generated from its continuing operations amounts to TL 3,714,734.

k. Information on net period profit/loss:

k.1. Income and expense resulting from ordinary banking activities: There is no specific issue required to be disclosed for the Group's performance for the period between 01.01.2012 – 31.12.2012.

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k.2. Effects of changes in accounting estimates on the consolidated profit/loss are disclosed.

k.3. 'Other' item which is included in "received fees and commissions received from transactions such as insurance-reinsurance transactions.

k.4. Other items do not exceed 10% of the total amount.

l. Net profit / loss of non-controlling Interest:

Net Profit / Loss of Non-controlling Interest

V. Disclosures and Footnotes on Consolidated Statement of Financial Position

The paid-in capital is TL 4,500,000 in legal records. As of 31 December 2012, the balance of extra-ordinary reserves is TL 8,203,130 and the balance of extraordinary reserves is TL 8,203,130.

In the current period, the change in other reserves item is TL 1,286,879. The change in other reserves item is financial institutions.

The details of revaluation surplus account of securities are shown in the consolidated statement of financial position. The deferred tax effect on available for sale securities (31 December 2012) is TL 14,771,595.

VI. Disclosures and Footnotes on the Consolidated Statement of Income

The operating profit of TL 9,850,562 before the changes in the consolidated statement of income is TL 14,771,595 predominantly from loans and securities, a money market transactions and funds borrowed by the Bank. The operating profit consists of premium collections of insurance companies.

The effect of changes in foreign exchange rates on cash and cash equivalents is TL 528,431 (31 December 2011: TL 528,431).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money market operations as well as demand deposits and equivalents.

Cash and cash equivalents at beginning of period:

Cash
Cash in TL and Foreign Currency
Central Bank of Turkey and Other
Cash Equivalents
Receivables from Money Market Operations
Banks' Demand Deposits and Time Deposits Up to 3 Months
Total Cash and Cash Equivalents

The total amount resulting from the transactions made in the consolidated statement of income as of the beginning of the current period.

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Cash and Cash equivalents as of end of the period:

	31.12.2012	31.12.2011
Cash	4,775,236	6,957,355
Cash in TL and Foreign Currency	1,680,661	1,149,355
Central Bank of Turkey and Other	3,094,575	5,808,000
Cash Equivalents	3,808,003	4,530,573
Receivables from Money Market Operations	81,658	171,596
Banks' Demand Deposits and Time Deposits Up to 3 Months	3,726,345	4,358,977
Total Cash and Cash Equivalents	8,583,239	11,487,928

VII. Disclosures And Footnotes On The Group's Risk Group

a. Information on the volume of transactions relating to the Group's risk group, incomplete loan and deposit transactions and period's profit and loss:

a.1. Information on loans held by the Group's risk group:

Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	62,291	2,309,017	2	19	639,896	149,171
Balance at the end of the period	67,477	1,308,746	1		499,699	218,714
Interest and commission income received	3,960	132			34,144	1,463

Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	90,292	1,624,072		19	369,989	109,856
Balance at the end of the period	62,291	2,309,017	2	19	639,896	149,171
Interest and commission income received	3,763	469			35,436	1,047

a.2. Information on deposits held by the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	399,014	250,067	549,679	840,520	1,184,469	1,197,039
Balance at the end of the period	798,050	399,014	385,728	549,679	1,107,605	1,184,469
Interest expense on deposits	18,421	11,230	46,369	63,241	42,088	51,106

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a.3. Information on forward and option and other similar transactions:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	
	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss		
Beginning of the period		
End of the period		
Total Profit/ Loss		
Transactions for hedging purposes		
Beginning of the period		
End of the period		
Total Profit/ Loss		

b. Disclosures for the Group's risk group:

b.1. The relations of the Group with corporations in the field of principal items and their ratios to overall items, pricing and transactions between the parties:

All types of corporate and retail banking services are provided in accordance with the Banking Law.

b.2. The type and amount of transaction carried out, principal items and their ratios to overall items, pricing and transactions between the parties:

The transactions carried out are mainly loan and deposit transactions. The ratio of the overall loans to the overall assets is 0.49%, while the ratio to the overall deposits is 2.16%, while the ratio to overall liabilities is 0.49%. The financial services provided to companies in the field of principal items are as follows:

b.3. Purchase and sale of real estates, other assets and services, and information obtained through research and development, of support as cash capital or capital-in-kind, guarantees and other services:

Acquisition of properties is generally made through İş Finansbank's branches act as agents for Anadolu Anonim Ticaret Şirketi. Furthermore, through its branches the Parent Bank also acts as a manager of mutual funds, which were founded by the Parent Bank, 25 of them are managed by İş Yatırım Menkul Değerler A.Ş., 17 of them are managed by İş Portföy Yönetimi A.Ş., are managed by İş Emeklilik A.Ş., are managed by İş Portföy Yönetimi A.Ş.

If requested, cash and non-cash loan requirements of corporations are provided within the limits imposed by the Banking Law and the prevailing market conditions.

c. Total salaries and similar benefits paid to the key management personnel:

As of 31 December 2012, the net payment provided to the key management personnel for the year ended 31 December 2011: TL 14,407).

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

VIII. Disclosures on the Group's Domestic, Foreign, Off-Shore Branches or Participations and Representative Offices

The Parent Bank – Türkiye İş Bankası A.Ş.

	Number	Employees			
Domestic Branches (1)	1,231	24,169			
			Country of Incorporation		
Foreign Representative Offices	1	1	China		
	1	1	Egypt		
				Total Assets	Legal Capital
Foreign Branches	1	30	England	8,691,279	289
	14	175	TRNC	1,365,947	80,000
	1	13	Iraq	102,639	12,591
	1	9	Georgia	15,685	13,872
	1	5	Kosovo	17,238	16,468
Off-Shore Branches	1	8	Bahrain	11,495,869	

(1) The Branches located in Free Trade Zones in Turkey are included among domestic branches.

İşbank AG

	Number	Employees			
Domestic Branches (1)	12	188			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	Legal Capital
Foreign Branches	1	10	The Netherlands	1,197,753	
	1	9	France	90,388	
	1	6	Switzerland	25,249	
	1	10	Bulgaria	10,924	
Off-Shore Branches					

(1) Germany is meant by the term "domestic".

Milli Reasürans T.A.Ş.

	Number	Employees			
Domestic Branches	1	207			
			Country of Incorporation		
Foreign Representative Offices					
				Total Assets	Legal Capital
Foreign Branches					
Off-Shore Branches	1	11	Singapore	91,416	41,000

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

CJSC İşbank

	Number	Employees	
Domestic Branches (1)	4	311	
			Country of Incorporation
Foreign Representative Offices			
Foreign Branches			
Off-Shore Branches			

(1) The branches of the company, which is headquartered in Moscow, in Russia.

Number of employees of consolidated companies that do not have branches in Turkey

Anadolu Anonim Türk Sigorta Şirketi
Anadolu Hayat Emeklilik A.Ş.
Camış Menkul Değerler A.Ş.
Efes Varlık Yönetimi A.Ş.
İş Investment Gulf Ltd. (1)
İş Factoring Finansman Hizmetleri A.Ş.
İş Finansal Kiralama A.Ş.
İş Gayrimenkul Yatırım Ortaklığı A.Ş.
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
İş Portföy Yönetimi A.Ş.
İş Yatırım Menkul Değerler A.Ş.
İş Yatırım Ortaklığı A.Ş.
Maxis Securities Ltd. (2)
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.
TSKB Yatırım Ortaklığı A.Ş.
Yatırım Finansman Menkul Değerler A.Ş.

(1) The company, which is headquartered in Dubai, does not have any branches in Turkey.

(2) The company, which is headquartered in London, does not have any branches in Turkey.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

IX. Subsequent Events

1. Within the framework of the resolution made by the Parent Bank's Board of Directors on 30 July 2012 regarding the domestic issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 656,736 with a maturity of 163 days, the Bank have issued discount bonds with a nominal value of TL 146,525 with a maturity of 380 days and the Bank has issued floating rate bonds with quarterly coupon payments with a nominal value of TL 10,702 with a maturity of 723 days on January 2013. The redemption date of the related bills are 26 June 2013, discount bonds are 29 January 2014 and floating rate bonds with quarterly coupon payments 7 January 2015 respectively and the interest rates are 6.64%, 7.01% and 6.84% respectively (annual simple interest).
2. Within the framework of the resolution made by the Parent Bank's Board of Directors on 30 July 2012 regarding the domestic issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 460,389 with a maturity of 180 days, the Bank have issued discount bonds with a nominal value of TL 87,323 with a maturity of 350 days on February 2013. The redemption date of the related bills are 12 August 2013, discount bonds are 29 January 2014 respectively and the interest rates are 6.20% and 6.44% respectively (annual simple interest).
3. As per the "Communique on Amendments to be Made on Communique on Required Reserves", which was published on the Official Gazette dated 26 January 2013 and nr. 28540, the reserve deposit rates are determined to be between 5%-11.25% for TL deposits and TL other liabilities, 9%-12% for FC deposits and between 6%-12% for FC other liabilities valid from 01 February 2013.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

SECTION SIX: OTHER EXPLANATIONS

I. Explanation on the Group's Credit Ratings:

Türkiye İş Bankası A.Ş.

	Rating
MOODY'S	
Bank Financial Strength	D+
Long-term Foreign Currency Deposit	Ba2
Long-term Local Currency Deposit	Baa2
Short-term Foreign Currency Deposit	NP
Short-term Local Currency Deposit	P-2
FITCH RATINGS	
Long-term Foreign Currency Issuer Default Rating	BBB-
Long-term Local Currency Issuer Default Rating	BBB-
Short-term Foreign Currency Issuer Default Rating	F3
Short-term Local Currency Issuer Default Rating	F3
National Long-term Rating	AAA (tur)
Viability Rating	bbb-
Support Rating	3
STANDARD & POOR'S	
Long-term Counterparty Credit Rating	BB
Long-term Certificate of Deposit	BB
Short-term Counterparty Credit Rating	B
Short-term Certificate of Deposit	B
Long-term National Scale Rating	trAA
Short-term National Scale Rating	trA-1

The dates below given are on which the Parent Bank's credit ratings were last updated:
Moody's: 3 July 2012, Fitch Ratings: 14 December 2012, Standard & Poor's: 14 December 2012

⁽¹⁾ Outlook:

"Stable" indicates that the current rating will not be changed and "negative" indicates that the rating is very likely to be upgraded and "positive" indicates that the rating is very likely to be downgraded.

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

Türkiye Sınai Kalkınma Bankası A.Ş.

	Rating	Outlook
MOODY'S		
Bank Financial Strength	D+	-
Long-term Foreign Currency Issuer Rating	Baa3	Stable
Short-term Foreign Currency Issuer Rating	P-3	-
Long-term Local Currency Issuer Rating	Baa3	Stable
Short-term Local Currency Issuer Rating	P-3	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable
Long-term Local Currency Issuer Default Rating	BBB-	Stable
Short-term Foreign Currency Issuer Default Rating	F3	-
Short-term Local Currency Issuer Default Rating	F3	-
National Rating	AAA	Stable
Support Rating	2	-

The dates below given are on which the TSKB's credit ratings were last updated:

Moody's: 3 July 2012, Fitch Ratings: 14 December 2012

İş Finansal Kiralama A.Ş.

	Rating	Outlook
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable
Long-term Local Currency Issuer Default Rating	BBB-	Stable
Short-term Foreign Currency Issuer Default Rating	F3	-
Short-term Local Currency Issuer Default Rating	F3	-
National Long-term Rating	AAA (tur)	Stable
Support Rating	2	-

The date below given is on which the credit ratings of İş Finansal Kiralama A.Ş. were last updated:

Fitch Ratings: 24 August 2012

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

II. Explanations on Special Purpose Audit and Public Information

According to the Turkish Commercial Code 207, 438 and 439, the Bank is subject to public scrutiny, including public information, the Board, the Competition Authority. In relation to these in disclosure to be necessary, the Bank shares the issues with the

TÜRKİYE İŞ BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands Turkish Lira (TL) unless otherwise stated.)

SECTION SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. Explanations on the Independent Auditors' Report:

The Parent Bank's consolidated financial statements and footnotes to be disclosed to public as of 31 December 2012 are audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and except for the effect of the matter on the consolidated financial statements described in the fourth paragraph of the audit report dated 14 February 2013, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2012 and the result of its operations and cash flows for the year then ended.

II. Explanations and Footnotes of the Independent Auditors

There are no significant issues or necessary disclosures or notes in relation to the Group's operations other than those mentioned above.

**AUDITED BRSA FINANCIAL STATEMENTS OF THE GROUP FOR THE
FISCAL YEAR ENDED DECEMBER 31, 2011 (INCLUDING COMPARATIVE 2010)**

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



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Kavacık Rüzgarlı Bahçe
Kavak Sok. No: 29
Beykoz 34805 İstanbul

**Convenience Translation of the
Originally Prepared and Issued in**

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*

To the Board of Directors of Türkiye İş Bankası A.Ş.;

We have audited the consolidated balance sheet of Türkiye İş Bankası A.Ş. ("the Group") as of 31 December 2011 and the related statement of changes in shareholders' equity for the year then ended and notes to the financial statements.

The Bank's Board of Directors is responsible for establishing the accounting policies and reporting to prevent the misstatements caused by error and fraud; and for adopting sound accounting policies. We have performed our audit in accordance with the Regulations on Auditing of Banks and Safeguarding of Documents, the Turkish Accounting Standards, the Turkish Banking Regulations and guidance published by the Banking Regulation and Supervision Agency and financial reporting principles.

Our responsibility, as independent auditors, is to express an opinion on the financial statements. Our audit is performed in accordance with the "Regulations on Auditing of Banks and Safeguarding of Documents" published on the Official Gazette of the Republic of Turkey. We planned and conducted our audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included the use of professional judgment and evidence supporting the amounts and disclosures in the financial statements. Our audit was made in accordance with our professional judgment by taking into consideration and assessing the appropriateness of the accounting policies and provides a reasonable basis for our opinion.

Accompanying financial statements include a general reserve and provisions. Bank management in line with conservatism principle of accounting has made changes in economy or market conditions, and full amount of provisions for prior periods.

In our opinion, except for the effect on the consolidated financial statements as stated in paragraph above, the accompanying consolidated financial statements present a true and fair view of the financial position of Türkiye İş Bankası A.Ş. as of 31 December 2011 and for the year then ended in accordance with the accounting principles described in Article 37 and Article 38 of (Turkish) Bank Law No. 5411 and the guidances published by the BRSA on accounting and financial reporting.

İstanbul
14 February 2012

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.
14 February 2012

*This report contains "Independent Auditors' Report"
comprising 1 page and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 100 pages.*

Additional paragraph for convenience translation to English

As explained in Note I in Part Three, the accompanying financial statements present a true and fair view of the financial position and results of operations in accordance with the accounting principles of the countries and jurisdictions other than Turkey.

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.
a Turkish corporation and a member
firm affiliated with KPMG

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 A.Ş., 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

Information on the authorized personnel to whom questions related to this financial report may be directed.

Name – Surname / Title: Süleyman H. Özcan / Head of Investor Relations Division
Phone Nr. : +90 212 316 16 02
Fax Nr. : +90 212 316 08 40
E-mail : Suleyman.Ozcan@isbank.com.tr
investorrelations@isbank.com.tr
Web : www.isbank.com.tr

TÜRKİYE İŞ BANKASI A.Ş. (Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

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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 BANK

I. Explanations on the Establishment Date and Initial Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank" or "the Parent Bank") is a bank established in 1980 for the purpose of carrying out banking activities and to initiate and/or participate in all kinds of financial activities. There is no change in the Bank's status since its establishment.

II. Explanations on the Capital Structure, Shareholders and Undertake the Management and Control of the Parent Bank's Risk Group

According to the Central Registry Agency data as of 31 December 2023, A.Ş. Pension Fund, 28.09% are owned by the Republican People's Party (CHP).

III. Explanations on the shares, if any, held by the Chief Executive Officer and Deputy Chief Executives of the Parent Bank

Board of Directors and Auditors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Füsun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee and Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit 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 Kıcıltoğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility 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 Executive Committee
Özcan Türkakın	Equity Participations, Corporate Communications and Risk Committee*
Mahmut Magemizoğlu	Financial Management, Investor Relations, and Treasury Management
Suat İnce	Corporate and Commercial Banking Marketing and Sales Management
Serdar Gençer	Banking Operations and Payment Operations, Internal Operations Management
Hakan Aran	Alternative Distribution Channels Operations, System and Service Delivery Management
Aydın Sîha Önder	Legal Counsellorship, Credit Information Monitoring and Recovery Management
Levent Korba	Support Services and Purchasing, Construction and Maintenance Management
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans, Portfolio Monitoring, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Marketing and Sale Management, Member of the Risk Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, and Information Technology Management
A. Erdal Aral	International Banking, Branches Abroad and Correspondent Bank Relationships
Senar Akkuş	Economic Research, Treasury Management and Foreign Exchange Management

* Mr. Özcan Türkakın attends the meetings of the Risk Committee that are held in the Board of Directors' meetings.

The Bank's shares attributable to the Directors and members of the Board of Directors 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)	1,819,149	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.

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. 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

- TIB Diversified Payment Rights Finance Company
- TIB Card Receivables Funding Company Limited

are consolidated in the consolidated financial statements and are accounted under Accounting Standards "Consolidation – Special Purpose Entities".

The explanations related to the consolidated companies that are not consolidated in the consolidated financial statements, such as private pension, reinsurance, financial leasing, factoring, and 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 Istanbul 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 Istanbul.

İs 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 Istanbul.

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 Istanbul 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 Istanbul 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 Istanbul 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 international private portfolio management services. The Company's shares are traded in the Istanbul Stock Exchange (ISE) since May 2007.

İş Yatırım Ortaklığı A.Ş.

The field of activity of the Company, which was founded in 1999, is to provide investment management services. The Company's shares are traded in the Istanbul Stock Exchange (ISE).

İşbank GmbH

İşbank GmbH was founded to conduct the Parent Bank's banking services in Germany. The Bank has 16 branches in total, 12 branches in Germany, 1 branch in Switzerland. Also, as of 1 August 2011, its Sofia/Bulgaria branch started its operations.

Maxis Securities Ltd.

The purpose of the Company, which was founded in England in 1999, is to provide investment management services in capital markets.

Milli Reasürans T.A.Ş.

The Company, which was founded in 1929 to provide reinsurance services, is one of the leading reinsurance companies in Turkey.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

The major field of activity of the Company, which was founded in 1999, is to provide investment management services in real estate, property portfolio and to invest in capital market instruments. The Company's shares are traded in the Istanbul Stock Exchange (ISE) since 2004.

TSKB Yatırım Ortaklığı A.Ş.

The purpose of the Company, which was founded in Istanbul in 1999, is to provide investment management services in portfolio of gold and other precious metals that are traded in the Istanbul Stock Exchange (ISE) over the counter markets. The Company's shares are traded in the Istanbul Stock Exchange (ISE).

Türkiye Sınai Kalkınma Bankası A.Ş.

Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) which is an industrial bank, is established to support private sector investments in industry and commerce. The Bank's shares are traded in the Istanbul Stock Exchange (ISE).

Yatırım Finansman Menkul Değerler A.Ş.

The Company, which was founded in Istanbul in 1976 has been engaged in capital market operations stated in its articles of association. 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)		Footnotes	THOUSAND TL					
ASSETS			CURRENT PERIOD			PRIOR PERIOD		
			(31/12/2011)		Total	(31/12/2010)		Total
			TL	FC		TL	FC	
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

TÜRKİYE İŞ BANKASI A.Ş.

(Convenience Trans
Footnotes Original

II. CONSOLIDATED BALANCE SHEET – LIABILITIES

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (Statement of Financial Position)		Footnotes
LIABILITIES AND SHAREHOLDERS' EQUITY		
I.	DEPOSITS	
1.1	Deposits from the Bank's Risk Group	
1.2	Other	
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	
III.	FUNDS BORROWED	
IV.	MONEY MARKET FUNDS	
4.1	Interbank Money Market Funds	
4.2	Istanbul Stock Exchange Money Market Funds	
4.3	Funds Provided Under Repurchase Agreements	
V.	MARKETABLE SECURITIES ISSUED (Net)	
5.1	Bills	
5.2	Asset-backed Securities	
5.3	Bonds	
VI.	FUNDS	
6.1	Funds Borrowed	
6.2	Other	
VII.	MISCELLANEOUS PAYABLES	
VIII.	OTHER LIABILITIES	
IX.	FACTORING PAYABLES	
X.	LEASE PAYABLES (Net)	
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	
11.1	Fair Value Hedges	
11.2	Cash Flow Hedges	
11.3	Net Foreign Investment Hedges	
XII.	PROVISIONS	
12.1	General Loan Loss Provision	
12.2	Provision for Restructuring	
12.3	Reserves for Employee Benefits	
12.4	Insurance Technical Reserves (Net)	
12.5	Other Provisions	
XIII.	TAX LIABILITY	
13.1	Current Tax Liability	
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 LOANS	
XVI.	SHAREHOLDERS' EQUITY	
16.1	Paid-in Capital	
16.2	Capital Reserves	
16.2.1	Share premium	
16.2.2	Share Cancellation Profits	
16.2.3	Marketable Securities Value Increase Fund	
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)	
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	
16.3	Profit Reserves	
16.3.1	Legal Reserves	
16.3.2	Statutory Reserves	
16.3.3	Extraordinary Reserves	
16.3.4	Other Profit Reserves	
16.4	Profit or Loss	
16.4.1	Prior Years' Profit/Loss	
16.4.2	Current Year Profit/Loss	
16.5	Minority Shares	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		

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	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 Reserve Deposit Requirements		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		9,909	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

TÜRKİYE İŞ BANKASI A.Ş.

(Convenience Trans
Footnotes Original)

III. CONSOLIDATED OFF-BALANCE SHEET ITEMS

TÜRKİYE İŞ BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS	Footnotes	7
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	V-III	195,5
IV. ITEMS HELD IN CUSTODY		97,5
4.1.Customers' securities held		19,5
4.2.Investment securities held in custody		62,5
4.3.Checks received for collection		10,8
4.4.Commercial notes received for collection		1,6
4.5.Other assets received for collection		
4.6.Assets received for public offering		
4.7.Other items under custody		1,2
4.8.Custodians		
V. PLEDGED ITEMS		97,5
5.1.Marketable securities		1,5
5.2.Guarantee notes		3,5
5.3.Commodity		23,5
5.4.Warranty		62,5
5.5.Real Estates		6,5
5.6.Other pledged items		6,5
5.7.Pledged items-depository		
VI. ACCEPTED BILL GUARANTEES AND SURETIES		9
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		345,5

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 (01/01-31/12/2011)	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

TÜRKİYE İŞ BANKASI A.Ş.

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

V. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE OF SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	
I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS	
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	
IV. TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	
V. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (EFFECT OF EXCHANGE RATE CHANGES)	
VI. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (EFFECT OF EXCHANGE RATE CHANGES)	
VII. THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING	
VIII. OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY IN ACCORDANCE WITH THE TURKISH COMMERCIAL CODE	
IX. DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	
X. NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I-IX)	
XI. PROFIT/LOSS FOR THE PERIOD	
1.1 Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	
1.2 The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Profit/Loss	
1.3 The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Profit/Loss	
1.4 Other	
XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	

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	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
PRIOR PERIOD (31/12/2010)																			
I. Beginning Balance	V-V	3,079,639	1,977,491	31,008		1,404,488	20,362	3,705,309	-20,696		2,567,793	576,050		1,383			13,342,827	1,963,098	15,305,925
II. Corrections Made According to TAS 8																			
2.1. The Effect of Corrections of Errors																			
2.2. The Effect of Changes in Accounting Policies																			
III. Adjusted Beginning Balance (I+II)		3,079,639	1,977,491	31,008		1,404,488	20,362	3,705,309	-20,696		2,567,793	576,050		1,383			13,342,827	1,963,098	15,305,925
Changes During the Period																			
IV. Increase/Decrease Due to Mergers				2,529		6,515	34	24,564			48,313						81,955	406,807	488,762
V. Marketable Securities Value Increase Fund												682,167					682,167	58,663	740,830
VI. Hedge Reserves (Effective Portion)																			
6.1. Cash Flow Hedges																			
6.2. Net Foreign Investment Hedges																			
VII. Revaluation Surplus on Tangible Assets																			
VIII. Revaluation Surplus on Intangible Assets																			
IX. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)														-1,179			-1,179	1,179	0
X. Translation Differences									-12,151								-12,151	-74	-12,225
XI. The Effect of Disposal of Assets																			
XII. The Effect of Reclassification of Assets																			
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																			
XIV. Capital Increase		1,420,361	-361,553					-1,057,425						-1,383			0		0
14.1. Cash																			
14.2. Internal Sources		1,420,361	-361,553					-1,057,425						-1,383			0		0
XV. Share Issue																			
XVI. Share Cancellation Profits																			
XVII. Paid-in Capital Inflation Adjustment																			
XVIII. Other (*)				400		-2,686	-63	-1,377	12		-3,058	-16,738					-23,510	13,145	-9,765
XIX. Net Profit / Loss for the Period										2,039,156							2,039,156	292,538	3,231,694
XX. Profit Distribution						201,802	7,960	1,641,472			-2,523,607						-672,373	86,193	-758,566
20.1. Dividend Paid											-672,373						-672,373	-86,193	-758,566
20.2. Transfer to Reserves						201,802	7,960	1,641,472			-1,851,234						0		0
20.3. Other																			
Ending Balance (III+IV+V+...+XVIII+XIX+XX)		4,500,000	1,615,938	33,937		1,610,119	28,293	4,312,543	-32,835	2,039,156	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.

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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)

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
CURRENT PERIOD (31/12/2011)																			
I. Beginning Balance	V-V	4,500,000	1,615,938	33,937		1,610,119	28,293	4,312,543	-32,835		3,028,597	1,241,479		-1,179			16,336,892	2,649,763	18,986,655
Changes During the Period																			
II. Increases / Decreases Due to Mergers																	0	100	100
III. Marketable Securities Value Increase Fund												81,573					81,573	-211,590	-290,167
IV. Hedge Reserves (Effective Port)																			
4.1. Cash-Flow Hedge																			
4.2. Net Foreign Investment Hedges																			
V. Revaluation Surplus on Tangible Assets																			
VI. Revaluation Surplus on Intangible Assets																			
VII. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)																			
VIII. Translation Differences									143,187								143,187	-1,518	141,639
IX. The Effect of Disposal of Assets																			
X. The Effect of Reclassification of Assets																			
XI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank																			
XII. Capital Increase																			
12.1. Cash																			
12.2. Internal Sources																			
XIII. Share Premium																			
XIV. Share Cancellation Profits																			
XV. Paid-in Capital Inflation Adjustment																			
XVI. Other (**)						114		536			106						756	-2,396	-1,640
XVII. Net Profit / Loss for the Period										2,271,539							2,271,539	117,829	2,389,368
XVIII. Profit Distribution						228,597	11,293	2,050,185			-3,120,727						-830,652	-81,738	-912,390
18.1. Dividend Paid											-830,652						-830,652	-81,738	-912,390
18.2. Transfer to Reserves						228,597	11,293	2,050,185			-2,290,075						0		0
18.3. Other																			
Ending Balance (I+II+III+...+XVI+XVII+XVIII)		4,500,000	1,615,938	33,937	0	1,838,830	39,586	6,363,264	110,322	2,271,539	-92,024	1,159,906	0	-1,179	0	0	17,840,119	2,470,450	20,310,569

(**) The change in group shares.

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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)

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		
I.1. Operating Profit Before Changes in Operating Assets and Liabilities		3,342,190	3,466,525
I.1.1. Interest Received		10,711,823	9,953,186
I.1.2. Interest Paid		-6,377,928	-5,557,260
I.1.3. Dividend Received		46,458	17,124
I.1.4. Fees and Commissions Received		1,788,674	1,509,200
I.1.5. Other Income		3,131,354	3,810,031
I.1.6. Collections from Previously Written Off Loans and Other Receivables		977,960	992,651
I.1.7. Cash Payments to Personnel and Service Suppliers		-3,437,169	-2,957,898
I.1.8. Taxes Paid		-486,683	-833,607
I.1.9. Other		-3,012,299	-3,466,902
I.2. Changes in Operating Assets and Liabilities		-10,607,950	-106,112
I.2.1. Net (Increase) Decrease in Financial Assets Held for Trading		65,217	-393,166
I.2.2. Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		0	0
I.2.3. Net (Increase) Decrease in Due From Banks		-3,828,083	748,836
I.2.4. Net (Increase) Decrease in Loans		-24,881,919	-16,433,438
I.2.5. Net (Increase) Decrease in Other Assets		-1,023,761	-1,663,917
I.2.6. Net Increase (Decrease) in Bank Deposits		-563,132	761,011
I.2.7. Net Increase (Decrease) in Other Deposits		5,961,556	15,634,602
I.2.8. Net Increase (Decrease) in Funds Borrowed		2,829,517	-378,672
I.2.9. Net Increase (Decrease) in Matured Payables		0	0
I.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

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. STATEMENT OF PROFIT DISTRIBUTION TABLE

TÜRKİYE İŞ BANKASI A.Ş. STATEMENT OF PROFIT DISTRIBUTION TABLE
I. DISTRIBUTION OF CURRENT YEAR PROFIT ⁽¹⁾
1.1. CURRENT PERIOD PROFIT
1.2. TAXES AND DUES PAYABLE (-)
1.2.1. Corporate Tax (Income Tax)
1.2.2. Income Tax Withholding
1.2.3. Other Taxes and Dues Payable ⁽²⁾
A. NET PROFIT FOR THE PERIOD (1.1-1.2)
1.3. PRIOR YEARS' LOSSES (-)
1.4. FIRST LEGAL RESERVES (-)
1.5. OTHER STATUTORY RESERVES (-)
B. NET PROFIT ATTRIBUTABLE TO [(A)-(1.3+1.4+1.5)]
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)
1.6.1. To Owners of Ordinary Shares
1.6.2. To Owners of Preferred Shares
1.6.3. To Preferred Shares (Preemptive Rights)
1.6.4. To Profit Sharing Bonds
1.6.5. To Holders of Profit / Loss Share Certificates
1.7. DIVIDENDS TO PERSONNEL (-)
1.8. DIVIDENDS TO THE BOARD OF DIRECTORS (-)
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)
1.9.1. To Owners of Ordinary Shares
1.9.2. To Owners of Preferred Shares
1.9.3. To Preferred Shares (Preemptive Rights)
1.9.4. To Profit Sharing Bonds
1.9.5. To Holders of Profit / Loss Share Certificates
1.10. SECOND LEGAL RESERVES (-)
1.11. STATUTORY RESERVES (-)
1.12. EXTRAORDINARY RESERVES
1.13. OTHER RESERVES
1.14. SPECIAL FUNDS
II. DISTRIBUTION FROM RESERVES
2.1. DISTRIBUTED RESERVES
2.2. SECOND LEGAL RESERVES (-)
2.3. DIVIDENDS TO SHAREHOLDERS (-)
2.3.1. To Owners of Ordinary Shares
2.3.2. To Owners of Preferred Shares
2.3.3. To Preferred Shares (Preemptive Rights)
2.3.4. To Profit Sharing Bonds
2.3.5. To Holders of Profit / Loss Share Certificates
2.4. DIVIDENDS TO PERSONNEL (-)
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)
III. EARNINGS PER SHARE
3.1. TO OWNERS OF ORDINARY SHARES ⁽³⁾
3.2. TO OWNERS OF ORDINARY SHARES (%)
3.3. TO OWNERS OF PREFERRED SHARES ⁽³⁾
3.4. TO OWNERS OF PREFERRED SHARES (%)
IV. DIVIDEND PER SHARE
4.1. TO OWNERS OF ORDINARY SHARES ⁽³⁾
4.2. TO OWNERS OF ORDINARY SHARES (%)
4.3. TO OWNERS OF PREFERRED SHARES ⁽³⁾
4.4. TO OWNERS OF PREFERRED SHARES (%)

(1) The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting
(2) The amount included in Other Taxes and Dues Payable refers to Deferred Tax Income, which will be paid in the future.
(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 subsidiaries are prepared in functional currency prevailing in the economies in which they operate. In consolidated financial statements, they are presented in TL, which is the functional currency in presentation of the financial statements.

Foreign currency monetary assets and liabilities on the balance sheet are converted by the prevailing exchange rates at the balance sheet date. Non-monetary items are converted by the rates at the date of the fair value assessment. Foreign currency transactions are accounted by allocating provision amounts for any permanent differences.

In accordance with TAS 21 “Effects of Changes In Foreign Exchange Rates”, foreign currency transactions of companies are considered as non-monetary items, measured at the currency rates at the transaction date, and “Effects of Changes In Foreign Exchange Rates”, the inflation adjusted value is used between the date of transaction and final date that the inflation is accounted by allocating provision amounts for any permanent differences.

While the Parent Bank and Türkiye Sınai Kalkınma Bankası (TSKB) are considered as non-monetary items, foreign currency exchange rates for their foreign currency transactions are accounted by the CBT rates for their foreign currency transactions.

The Bank's end of period foreign currency rates are taken into account in the consolidated financial statements of the branches and financial institutions that have been established in foreign currencies. The foreign currency rates are converted to TL at the foreign currency rates on the transaction date. The foreign currency rates of the institutions are converted to TL at average foreign currency rates during the period. The exchange rate differences are accounted 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 “Communiqué Related to Regulation on the Preparation of the Financial Statements of Banks and Financial Institutions” 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 and remove members through direct or indirect possession of the majority of the voting rights, or the requirement of owning minimum fifty-one per cent of its capital, or the right to appoint or remove the majority of the board of directors as a consequence of holding privileged shares or of agreement with the majority of capital.

As per the “Communiqué Related to the Preparation of the Financial Statements of Banks and Financial Institutions” in the Official Gazette No.26340 dated 8 November 2006, as of the date of the consolidation, subsidiaries that are qualified as credit institutions or financial institutions, excluding the subsidiaries of the Parent Bank's investment in each of the subsidiaries and eliminated. All significant transactions and balances between the Parent Bank and its subsidiaries are eliminated reciprocally. Minority interests in the net income of the subsidiaries are accounted under the shareholders' equity.

Under full consolidation method, the assets, liabilities, income and expenses of the subsidiaries are combined with the equivalent items of the Parent Bank. The Parent Bank's investment in each of the subsidiaries and eliminated. All significant transactions and balances between the Parent Bank and its subsidiaries are eliminated reciprocally. Minority interests in the net income of the subsidiaries are accounted under the shareholders' equity.

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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
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.

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2. Presentation of unconsolidated subsidiaries, associates and investments for-sale portfolio in consolidated financial statements:

Equity securities followed under subsidiaries, associates and investments for-sale portfolio in consolidated financial statements in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement". Subsidiaries, whose equity is reflected on financial statements with their fair value prices stock exchange. Subsidiaries and associates whose equity followed at their cost on the acquisition date and these assets are measured at acquisition cost less impairment losses, if any.

IV. Explanations on Forward and Option Contracts

The Group's derivative transactions predominantly consist of currency buy/sell transactions, currency and interest rate swap transactions separated from the host contract.

Derivative transactions are carried at their fair values at the balance sheet date. These transactions are followed under off-balance sheet accounts in the reporting periods following their recording and the fair value changes are recorded in the income statement. "Derivative Financial Assets Held for Trading" and "Derivative Financial Liabilities Held for Trading" are recorded in the balance sheet. The difference being positive or negative. Even though some derivative transactions are not all the necessary conditions are met for them to be recognized as "held for trading purpose" in accordance with the Standard for Financial Instruments: Recognition and Measurement, the valuation of derivative transactions are associated with the income statement.

On the other hand, on the off-balance sheet table, the option contracts are recorded as "call options" line and the ones that generate liabilities are recorded as "put options" line.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis. Interest income is equalized the future cash flows of a financial asset or liability in accordance with the Standard for Financial Instruments: Recognition and Measurement".

Accrued interests and other interest receivables on loans and other financial assets are recorded as interest income and cancelled and the relevant figures are recorded as interest expense.

VI. Explanations on Fee and Commission Income and Expenses

Fee and commission income and expenses are recorded either on accrual basis or on cash basis. Income gained in return for services rendered contracts on behalf of a third party real person or corporate body are recorded as fee and commission income and cancelled and the relevant figures are recorded as interest expense.

VII. Explanations on Financial Assets

Financial assets comprise cash, contractual rights to obtain cash or other financial instruments with the counterparty, or the capital instruments of other entities. Financial assets are classified as "Financial Assets Available for Sale", "Financial Assets Held for Trading", "Financial Assets Available for Sale through Profit And Loss", "Financial Assets Available for Sale through Other Comprehensive Income and Receivables".

1. Cash and Banks

Cash consists of cash in vault, foreign currency cash, money market investments, currency cash and banks are shown in the balance sheet by their fair value on the balance sheet date. The carrying values of both the cash and banks are recorded at their fair value.

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 from the sale of goods or services, and which are with fixed or determinable repayment schedules and which are carried at amortized cost. The initial recognitions of loans and receivables are made at fair value. Subsequent to the initial recognition, they are made at amortized cost, which is calculated using the internal rate of return method.

Retail and commercial loans that are followed under cash method are carried at amortized cost, under the accounts defined by the Uniform Code of Accounts (UCA).

Foreign currency indexed loans are converted to Turkish Lira (TL) at the end of each reporting period, followed under the Turkish Currency ("TL") accounts, and are carried at amortized cost. The initial recognition of the loans, depending on the exchange rate of the following period, are recognized in the profit/loss accounts. Repayment of the loans is carried at amortized cost. Repayment date and the foreign exchange differences are reflected to the income statement.

VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Group companies evaluate the financial assets to determine whether there is an objective evidence of impairment. Where there is impairment, the related impairment amount is recognized in the profit/loss accounts.

A financial asset or a financial asset group incurs impairment loss when there is an objective evidence of the occurrence of one or more than one event (loss/damage event) and such loss event (or events) causes an impairment loss as a result of the cash flows of the related financial asset and asset group. Impairment loss arising from future events is recognized in the financial statements.

If there is an impairment loss in investments held to maturity, the book value and the present value of the estimated future cash flows are compared. If the present value is less than the book value, the impairment loss is recognized. The effective interest rate, and the book value of the asset shall be adjusted to the present value. If the amount of impairment loss decreases, the previous impairment loss is reversed.

In case an available-for-sale financial asset, which is accounted at fair value, is impaired, accumulated impairment loss shall be removed from equity and recognized in period net profit/loss. If the amount of impairment loss decreases, the previous impairment loss is reversed.

Loans are classified and followed in line with the provisions of the Uniform Code of Accounts (UCA) to Identification of Loans and Other Receivables and Provisioning of Loans and Other Receivables (UCA nr.26333 dated 1 November 2006). Specific provision is allocated to the loans which are deemed non-performing, without being restricted by the regulatory provisions. Such specific provisions are recognized in the profit/loss accounts within the same year, are credited to the "Provision Expenses" account. The provisions of the previous years are transferred to and recognized in the "Provision Expenses" account.

Apart from specific provisions, the Parent Bank and the financial institutions have a 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 the net amount of recognized assets and liabilities simultaneously.

X. Explanations on Sale and Repurchase Agreements

Securities subject to repo (repurchase agreements) are classified as "Financial Assets Available for Sale" or "Investments" in the Group's portfolio and evaluated within the principles of the Uniform Code of Accounts (UCA).

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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.

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The acquisition costs of tangible assets other than the land and buildings are amortized by the straight-line method, according to their estimated useful lives. The amortization are reviewed every year for the possible effect of any change in the estimates, they are recognized prospectively.

Assets acquired through finance lease are amortized at the straight-line method over their useful lives. The shorter.

Costs of operational lease development are amortized at equal intervals over their useful lives. In case, the period of benefit cannot exceed the period of lease, years, the amortization period is considered to be 5 years.

The difference between the sales proceeds arising from the disposal of the 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 recognized in the income statement.

There are no restrictions such as pledges, mortgages on tangible assets.

The depreciation rates used in amortization of tangible assets are as follows:

	Estimated Economic Life (Years)
Buildings	4-50
Safe Boxes	2-50
Other Movables	1-50
Leased Assets	4-50

XIV. Explanations on Investment Property

Investment property is constituted of the property held by the Group for rental or for capital appreciation. The consolidated financial statements at acquisition costs less accumulated depreciation and impairment losses are also valued at fair value.

XV. Explanations on Leasing Transactions

Assets acquired through finance lease are capitalized by the Group. Finance lease payments are recorded as deferred interest expense. Finance lease payments are recognized in the income statement. Finance lease payment, which provides a decrease in finance lease liability, is recognized in the income statement. Leased assets are recognized in the income statement. Leased assets are amortized by straight-line method.

There is one company which exclusively does finance lease activities (Kalkınma Bankası A.Ş.) which operates finance lease activities. Finance lease activities are operated according to the TAS 36 “Impairment of Assets”.

In cases when the Group is the “lessor”, finance lease receivables are recognized in the income statement at the first entry date and in the reporting periods after the first entry date at the interest rate method. Interest income on finance lease is allocated to the term interest from the investments that are subject to leasing.

Transactions related to operating lease are accounted as per the straight-line method.

XVI. Explanations on Insurance Technical Income and Expenses

In insurance companies premium income is obtained subject to the diminishment.

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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.

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XVIII. Explanations on Provisions and Contingent Liabilities

Provision is set aside in the financial statements in case that the use of the funds, which have economic use is probable in order to fully settle the liability, can be estimated reliably.

The provision amount is calculated by way of most reliable estimate and Group companies' management as at the balance sheet date, taking into account the uncertainties related to the liability.

In case the provision is measured by using the estimated cash flows, the value of the related liability is equal to the present value of the cash flows.

In case there is no probability of equity fund outflow in order to settle the liability, the liability is given thereon in the footnotes.

XIX. Explanations on Contingent Assets

Contingent assets consist of unplanned or other unexpected events that may arise in the Parent Bank. Since showing the contingent assets in the financial statements is not an income, which will never be generated, the related assets are not shown in the financial statements. On the other hand, if the entry of the economic uses of these assets is probable, they are shown thereon in the footnotes of the financial statements. Nevertheless, the contingent assets are constantly evaluated and in case the entry of the economic uses of these assets is probable, the respective income are shown in the financial statements.

XX. Explanations on Liabilities Regarding Employees

1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the companies (excluding the subsidiaries residing outside Turkey) who retire, die, quit for their military service obligations, who are dismissed or (for the female employees) who have voluntarily quit work, are entitled to severance benefits within the scope of TAS 19 "Employee Benefits", the Bank allocates the severance benefits. In addition, provision is also allocated for the non-resident subsidiaries operate do not require retirement payments to the related companies. In addition, provision is also allocated for the non-resident subsidiaries operate do not require retirement payments to the related companies.

2. Retirement Benefit Obligations

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), which is a member, has been established according to the provisions of the Banking Law Nr.5411, it is established within the framework of Social Security Institution Law, with the force of law after 5 years after the publication of such law. Methods and principles of calculation of the retirement benefits are determined by the Cabinet decision dated 30 November 2006 nr. 2006/11345. The retirement benefits upon the President's application dated 02 November 2005, by the Council of Ministers dated 02 November 2005, E.2005/39, K.2007/33, which was published on the Official Gazette dated 02 November 2005, the retirement benefits execution decision were ceased as of the issuance date of the decision.

After the justified decree related to cancelling the provision of the retirement benefits, the Constitutional Court on the Official Gazette dated 15 December 2007, started to work on establishing new legal regulations, and after the Law nr. 5754 "Emendating Social Security and General Insurance Law" which was published on the Official Gazette dated 08 May 2008, that the contributors of the bank pension funds, the ones who are entitled to the retirement benefits will be transferred to the Social Security Institution after the release date of the related article, without any need for a new decision.

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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.

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Within the framework of the Corporate Tax Law nr. 5520, which were held in the assets for a minimum of 2 whole years, which are exempt from tax provided that they are added to the capital fund under liabilities for a period of 5 years.

2. Deferred Tax:

Deferred tax asset or liability is recognized by calculating the difference between the assets and liabilities in the financial statements and the taxable profit and this calculation is made by using the balance sheet. Deferred tax liabilities are generally recognized for all taxable temporary differences that are expected to be recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable profits will be available against which those deductible temporary differences can be utilized. Possible future risks are included in the tax base and they are recognized for the temporary timing differences between the taxable profit and that arises from the initial recognition in the balance sheet and mergers.

The carrying values of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to utilize the deferred tax assets.

Deferred tax is measured at enacted tax rates prevailing in the reporting period and is calculated on the temporary differences between the carrying amounts of assets and liabilities in the balance sheet as reported and their taxable amounts, and the tax is recorded as income or expense in the income statement. Deferred tax assets and liabilities are recognized to assets directly associated with the equity in the same or different financial statements.

Deferred tax assets and liabilities in the financial statements are shown net of each other. In the consolidated financial statements, on the other hand, deferred tax assets and liabilities of the Group 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, 10% corporate tax and 15% income tax. The tax bases for corporate tax and income tax cannot be deducted according to TRNC regulations, to the extent that they are higher than the amount found by dividing 1.5 million Turkish Liras by the number of participations, in which the Bank has 75% or more share, plus the tax payments in four installments in July and October of the relevant year. Relevant temporary tax payments are deducted from the current period's corporate tax. On the other hand, withholding tax is paid by the end of January of the second year following the relevant year. On the other hand, corporate tax is paid by the end of January of the second year following the relevant year.

England

Corporate gains are subject to 26% corporate tax in England. The taxable profit is determined by adding the expenses that cannot be deducted from the taxable profit, subtracting exemptions and deductions from commercial gains, and then dividing the result by 1.5 million. Relevant temporary tax payments are deducted from the current period's corporate tax. On the other hand, withholding tax is paid by the end of January of the second year following the relevant year. On the other hand, corporate tax is paid by the end of January of the second year following the relevant year.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations in Bahrain.

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The Republic of Iraq (Iraq)

Corporate gains are subject to 15% income tax in Iraq. Income tax is accrued at the end of the year and paid in the following year to the related tax administration by the end of June, at the latest.

Germany

According to the tax regulations in Germany, corporate gains are subject to 15% corporate tax. In addition to this, a solidarity tax of 5.5% is calculated over this corporate tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to Germany regulations, to interest, commissions and other operating gains and by subtracting exemptions and deductions from these. The corporate tax payments are made as temporary tax payments in four installments and are deducted from the corporate tax that is finalized at the end of the current year.

Russia

According to the Russian regulations, corporate gains are subject to 20% corporate tax. The corporate tax base is determined on accrual basis and it is measured by adding the non-deductible expenses to the corporate income gained during the period. Companies in Russia make an advance tax payment every month at an amount of one third of the tax liability related to the previous quarter, make quarterly tax returns and make provisional tax payment by offsetting the advance taxes paid during the period. Final taxation period for corporate tax is one year and the corporate tax is paid at the end of the following year's March by considering the provisional taxes paid during the year. The losses occurred in the previous taxation periods can be offset by the current period tax base, but provided that it is limited to the period of the last 10 years.

United Arab Emirates

The companies operating in the free zones of Dubai are not subject to tax according to the country's legislation.

4. Transfer Pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

XXII. Additional Explanations on Borrowings

The Parent Bank and its consolidated Group companies resort to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bills, bonds. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

XXIII. Explanations on Share Certificates and Issues

Costs incurred during the issue of shares are accounted as expenses.

Dividend payments are determined by the resolution of the General Assembly of Shareholders of the Parent Bank.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Parent Bank's earnings per share calculations taking place in the consolidated income statement are as follows.

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Profit attributable to shareholders
Weighted average number of share certificates ('000)
Earnings per share – in exact TL

XXIV. Explanations on Bank Acceptances and Bills of Exchange

The Parent Bank's acceptances and bills of guarantee are accounted 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 calculates revenues and expenses related to the transactions made
- whose operating results are regularly monitored by the operations of the enterprise in order to make decisions 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 the following table:

XXVII. Explanations on Other Issues

None.

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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

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Information related to consolidated standard capital adequacy ratio:

	Risk Weights	
	0%	10%
Value at Credit Risk		
Balance Sheet Items (Net)	33,850,452	
Cash	1,260,258	
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	
Interbank Money Market Placements	43,127	
Receivables from Reverse Repo Transactions	7,949	
Reserve Deposits	6,929,222	
Loans	3,317,629	
Non-performing Loans (Net)		
Lease Receivables	2,519	
Financial Assets Available for Sale (1)	1,768,150	
Investments Held to Maturity	11,948,996	
Receivables From Installment Sale of Assets		
Miscellaneous Payables		
Interest and Income Accruals	1,931,251	
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)		
Tangible Assets		
Other Assets	811,182	
Off Balance Sheet Items	149,950	
Non-cash Loans and Commitments	149,950	
Derivative Financial Instruments		
Non- Risk-Weighted Accounts		
Total Risk Weighted Assets	34,000,402	

(1) Total amount of the financial assets available-for-sale is composed of mortgage-backed securities of Hayat Emeklilik A.Ş. (Private Pension), one of the Group companies.

Summary information about the consolidated standard capital adequacy ratio:

	Risk Weights	
	0%	10%
Value at Credit Risk (VaCR)	115,427,000	
Value at Market Risk (VaMR)	5,773,700	
Value at Operational Risk (VaOR)	11,275,400	
Shareholders' Equity	18,643,000	
Shareholders' Equity/(VaCR+VaMR+VaOR)*10	14.07%	

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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	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 Movables' Revaluation Reserve		
45% of Immovables' Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures)	-1,179	-1,179
Primary Subordinated Loans Excluding the Portion included in the Core Capital		
Secondary Subordinated Loan	75,400	77,500
45% of Marketable Securities Value Increase Fund (3)	304,177	558,666
Associates and Subsidiaries	637,384	413,285
Financial Assets Available for Sale	-333,207	145,381
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments (excluding the inflation adjustments to legal reserves, status reserves and extraordinary reserves)		
Minority Shares	3,667	104,243
Total Supplementary Capital	1,698,000	1,484,552

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TIER III CAPITAL
CAPITAL
DEDUCTIONS FROM THE CAPITAL
Investments in Unconsolidated Banks and Financial Institutions
Loans to banks, financial institutions (domestic/foreign) or quasi-institutions of secondary subordinated loan and debt instruments purchased as primary or secondary subordinated loan
Investments in Banks and Financial Institutions, to which Equity is provided whose Assets and Liabilities are Unconsolidated
Loans granted against the articles 50 and 51 of the Banking Law
Net book values of immovables exceeding 50% of the capital
Overdue receivables and held for sale as per article 57 of the Banking Law more than five years
Others (4)
TOTAL SHAREHOLDERS' EQUITY

(1) Difference between the effective and direct shareholding was TL 46,812.
(2) As per the "Regulation Amending the Regulation on Equities of Banks", numbered 27870, "Prepaid Expenses" have been removed from the items deducted from the capital.
(3) According to the related regulation, when calculating the supplementary capital, the Marketable Securities Value Increase Fund have a negative balance if their balance is positive.
(4) It includes the deductions from the capital in accordance with the Banking Law numbered 3980, published on the Official Gazette dated 18 December 2010 and nr. 3980.

II. Explanations on Credit Risk

1. Credit risk is defined as the possibility of incurring a loss due to the fact that a borrower or a counterparty completely fails to meet its contractual obligations in due time.

Banks and financial institutions affiliated to the Group, capital adequacy ratios and credit limitations stipulated by legal regulations of the country.

The Parent Bank's position against the credit risk limits defined in the Banking Law. Within this framework, loans extended to Risk Groups and to borrowers with high amounts and limitations regarding the share of the total portfolio determined in connection with the size of the shareholders' equity.

Credit risk limits of customers are determined depending on the creditworthiness of borrowers, in strict compliance with the relevant banking legislation. These limits are determined by the Board of Directors of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executive Officer, the Credit Committee and the Board of Directors. These limits may be revised periodically. Moreover, all commercial credit limits are revised periodically. Furthermore, the borrowers and borrower groups forming a high risk portfolio are determined in order to provide further minimization of potential risks.

The geographical distribution of borrowers is consistent with the distribution of the population in Turkey.

The distribution of borrowers by sector is monitored closely and measures are taken to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a continuous basis. For this purpose, specially developed for this purpose, and the audit of statements of financial position in accordance with the provisions as stipulated by the relevant legislation.

The Parent Bank and its financial affiliates give utmost importance to the creditworthiness of borrowers. Most of the loans extended are collateralized by taking real estate, promissory notes and other liquid assets as collateral, or by 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 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%.

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9. The net values of the collaterals of the Group's closed loans are evaluated in terms of types and risk matches.

Type of Collateral	Current Period
Real Estate Mortgage (1)	583,715
Vehicle Pledge	80,584
Cash Collateral (Cash provisions, securities pledge, etc.)	11,216
Pledge on Wages	72,823
Cheques & Notes	18,295
Other (Suretyships, commercial enterprise under pledge, commercial papers, etc.)	86,077
Interest and Income Accruals	
Total	852,714

(1) The mortgage and/or pledge amounts on which third parties have prior claims are taken into account and after comparing the results to the mortgage/pledge amounts and loan collaterals.

10. The net values of the collaterals of the Group's open loans are evaluated in terms of types and risk matches.

Type of Collateral	Current Period
Real Estate Mortgage (1)	471,111
Cash Collateral	5
Vehicle Pledge	91,311
Other (suretyships, commercial enterprise under pledge, commercial papers, etc.)	74,488

(1) The mortgage and/or pledge amounts on which third parties have prior claims are taken into account and after comparing the results to the mortgage/pledge amounts and loan collaterals.

11. The aging analysis of the loans past due but not impaired is as follows:

Current Period	31-60 Days
Loans: (1)	
Corporate / Commercial Loans (2)	
Consumer Loans (2)	
Credit Cards	
Lease Receivables (3)	
Insurance Receivables	
Total	

(1) The balance of loans, which are not past due or which are classified as "Standard" or "Below Standard", stands at TL 789,596.

(2) Related figures show only overdue amounts of installment based commercial loans and consumer loans of the loans which are not due as of the balance sheet date are equal to TL 1,315,935.

(3) Includes only overdue installments, the principal amount which is not due.

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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.

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13. Information on geographical concentration:

	Assets (1)	Liabilities
Current Period		
Domestic	171,936,752	129,800,000
European Union Countries	5,449,666	25,100,000
OECD Countries (4)	504,033	50,000
Off-Shore Banking Regions	170,746	4,000
USA, Canada	272,011	5,300,000
Other Countries	1,552,697	2,600,000
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		
Unallocated Assets/Liabilities		
Total	179,885,905	163,600,000
Prior Period		
Domestic	138,826,900	107,200,000
European Union Countries	6,501,105	19,400,000
OECD Countries (4)	656,183	30,000
Off-Shore Banking Regions	134,726	4,000
USA, Canada	99,306	2,600,000
Other Countries	978,888	1,900,000
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		
Unallocated Assets/Liabilities		
Total	147,197,108	131,800,000

(1) The sum of assets and fixed capital investments reflect total assets in the consolidated 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 the consolidated balance sheet.

(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 methods: the Standard Method and the Value at Risk (VAR) Method in accordance with accepted practices. In this context, interest rate risk emerges

The consolidated market risk measurements are carried out on a daily basis and the results are taken into consideration in the computation of the

The VAR Method is another alternative for the Standard Method used by the Parent Bank. This model is used to measure the market risk of interest rate risk and equity share risk and is a part of the Parent Bank's risk management (back-testing) is carried out on a daily basis to determine the maximum possible loss for the

Scenario analyses which support the VAR method used to measure market risk are conducted, and the possible impacts of scenarios on the value of the Parent Bank's portfolio are reported to the Executive Management. Financial participations also make up a part of 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 risk policy, are monitored by the Risk Committee and reviewed

The following table shows details of the market risk calculation for the "Regulation Banks" as of 31 December 2011.

a. Information on the market risk:

(I) Capital Obligation against for General Market Risk – Standard Method
(II) Capital Obligation against for Specific Risk – Standard Method
(III) Capital Obligation against for Currency Risk – Standard Method
(IV) Capital Obligation against for Stocks Risk – Standard Method
(V) Capital Obligation against for Exchange Risk – Standard Method
(VI) Capital Obligation against for Market Risk of Options – Standard Method
(VII) Capital Obligation against for Market Risks of Banks Applying the VAR Method
(VIII) Total Capital Obligation against for Market Risk (I+II+III+IV+V+VI+VII)
(IX) Value at Market Risk (12.5 x VIII) or (12.5 x VII)

b. Table of the average market risk related to the market risk:

	Current Period	
	Average	Highest
Interest Rate Risk	298,194	296
Share Certificate Risk	79,977	92
Currency Risk	266,999	276
Commodity Risk	6,206	17
Settlement Risk		
Options Risk	8,381	11
Total Value at Risk	8,246,960	8,680

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 Days Prior to the Related Date:

Date	USD
31.12.2011	1.8800
30.12.2011	1.8800
29.12.2011	1.9100
28.12.2011	1.9000
27.12.2011	1.8930
26.12.2011	1.8850

The Bank’s average FC buying rate over a period of thirty days prior to the related date:

USD: TL 1.8414 EUR: TL 1.8414

Sensitivity to currency risk:

The Group’s sensitivity to any potential change in foreign currencies is measured by the ratio of the change in the Group’s net FC position to the change in the foreign currencies. A 10% change is anticipated in USD, EUR and GBP currencies. The ratio is calculated as follows: 10% is the ratio that is used in the internal reporting of the Group.

	% Change in Foreign Currency
USD	10% increase
	10% decrease
EUR	10% increase
	10% decrease
GBP	10% increase
	10% decrease

(1) Indicates the values before tax.

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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	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.

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VI. Explanations on Interest Rate Risk

"Interest Rate Risk" is defined as the decrease that can arise from off-balance sheet operations as a result of interest rate fluctuations. The repricing periods is used for measuring the interest rate risk. The rate risk related to interest sensitive financial instruments follows the changes of market risk.

Potential effects of interest rate risk on the Parent Bank's economic environment and expectations are regularly covered. Further measures to reduce risk are taken when necessary.

The Parent Bank's on and off-balance sheet interest sensitive market risk are monitored and controlled by the limits approved by the Board determined by the Board within the scope of analyses formed in line with the historical data and expectations.

Interest rate sensitivity:

In this part, the sensitivity of the Group's assets and liabilities to interest rate changes in year-end balance figures were the same throughout the year.

During the measurement of the Group's interest rate sensitivity, assets and liabilities evaluated with market value are determined by adding to/decreasing from the book value and the portfolio value calculated by using the interest rate changes additionally earned/to be deprived of during the one year period.

On the other hand, in the profit/loss calculation of assets and liabilities, if prices, it is assumed that assets and liabilities with fixed interest rates and liabilities having variable interest rates will be renewed at the market rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in case of 1 point increase/decrease in TL and FC interest rates are as follows:

Change in the Interest Rate (1)		Effect On Profit/Loss
TL	FC (4)	Current Period
1 point increase	1 point increase	-8,702,000
1 point decrease	1 point decrease	54,620,000

(1) The effects on the profit/loss and shareholders' equity are stated with the effect on the profit/loss.

(2) The effect on the profit/loss is mainly arising from the fact that the average maturity of its fixed rate assets.

(3) The effect on the shareholders' equity is arising from the change of the value of the assets and liabilities available for sale.

(4) Due to the reason that the LIBOR rates were at low levels in both of the periods, the 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):

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						13,886,577	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.

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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
Assets		
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	10,255	
Banks	5,639,291	388,156
Financial Assets at Fair Value through Profit/Loss	174,849	326,833
Money Market Placements	8,008	2,180
Financial Assets Available for Sale	6,922,760	4,763,253
Loans (1)	22,537,114	8,685,280
Investments Held to Maturity	181,921	4,964,733
Other Assets	473,183	89,612
Total Assets	35,947,381	19,220,067
Liabilities		
Banks Deposits	1,906,272	442,444
Other Deposits	57,571,663	14,267,579
Money Market Funds	8,785,566	1,928,113
Miscellaneous Payables	312,937	100,240
Marketable Securities Issued		150,089
Funds Provided from Other Financial Institutions	4,303,961	5,562,894
Other Liabilities (2)	91,526	418,047
Total Liabilities	72,971,925	22,869,417
Balance Sheet Long Position		
Balance Sheet Short Position	-37,024,544	-3,649,358
Off Balance Sheet Long Position	588,112	4,205,723
Off Balance Sheet Short Position		
Total Position	-36,436,432	556,362

(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 liabilities. The Bank maintains the consistency between the maturities of assets and liabilities in order to avoid liquidity risk in longer terms.

The Bank's prevailing source of funding is deposits. While the maturity of assets as a result of the market conditions, the Bank's base are its most important safeguards of the supply of funds acquired from institutions abroad.

In order to meet the liquidity requirements that may emerge in the future, the Bank preserves liquid assets; efforts in this framework are supported by the Bank's TL and FC deposits, their costs and movements in the total assets. The Bank's liquidity risk management is differentiated for different maturities and thereby measures the liquidity that may be required for extraordinary circumstances determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratio are calculated separately for 7 and 31 days following the revaluation calculated based on the stress scenarios built internally by the Bank.

Evaluated within the framework of the Bank's asset-liability management, the liquidity risk management are monitored by the Risk Committee. In the event of an unfavorable market movement, quick action should be taken due to the unfavorable market movement to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of Liquidity Risk", the liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities. The adequacy ratio mean the ratio of total assets to total liabilities of the Parent Bank in the year 2011 with their prior year.

Current Period	First Maturity Bracket (Within 7 Days)	
	FC	TL
Average (%)	153.51	17.12
Highest (%)	213.52	27.12
Lowest (%)	115.11	12.12

Prior Period	First Maturity Bracket (Within 7 Days)	
	FC	TL
Average (%)	207.03	27.12
Highest (%)	325.24	39.12
Lowest (%)	157.78	20.12

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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	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.

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In compliance with the TFRS 7 "Financial Instruments: Disclosures", the Group's major financial assets and liabilities which are not prepared by referencing the earliest dates of collections and payments are presented in the table below. The interest to be collected from and paid to the related assets and liabilities is shown in the Adjustments column. The Adjustments column shows the items that may cause possible changes in the related assets and liabilities registered in balance sheet do not.

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated (1)	Total
Current Period								
Assets								
Financial Assets Held for Trading	327,228	16,843	15,045	2,418,121				2,767,237
Banks	762,500	3,469,439	356,337	1,120,245				5,648,521
Financial Assets Available for Sale	179,937	2,379,266	978,394	5,374,570				8,932,167
Loans (1)	9,689,446	12,799,562	7,897,704	26,744,821				57,131,533
Investments Held to Maturity		15,505	2,474,547	1,681,681				4,171,733
Liabilities								
Deposits	19,054,431	57,746,825	15,899,760	6,120,245				98,821,261
Funds Provided from Other Financial Institutions		637,534	1,399,450	7,494,821				9,531,805
Money Market Funds		18,349,829	442,431	2,626,234				21,418,514
Securities Issued (Net)		599,839	555,541	1,681,681				3,837,061

(1) The balances include factoring receivables.

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated (1)	Total
Prior Period								
Assets								
Financial Assets Held for Trading	421,966	55,150	55,603	2,418,121				2,946,840
Banks	352,224	5,185,475	371,228	1,120,245				7,029,172
Financial Assets Available for Sale	141,865	3,534,694	1,705,266	7,494,821				12,876,646
Loans	6,768,623	9,902,289	5,386,369	18,644,821				39,699,902
Investments Held to Maturity		31,337	1,027,732	1,681,681				2,740,750
Liabilities								
Deposits	14,688,893	54,819,917	14,881,681	4,220,245				84,609,736
Funds Provided from Other Financial Institutions	24,356	983,722	793,644	5,374,570				6,386,292
Money Market Funds		8,626,157	1,675,486	2,626,234				12,927,877
Securities Issued (Net)			151,649	1,681,681				1,833,330

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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	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

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VIII. Explanations on Other Price Risks

The Group is exposed to the equity share risk arising from its investments in equity shares. Equity shares are generally obtained for investment purposes.

As of the reporting date, an analysis was made on the assessment of the equity share risk. In the analysis, it is assumed that all the other variables are constant. The increase/decrease in prices) are 10% more / less. According to this assumption, the increase/decrease in the Marketable Securities Equity. This, in fact, is arising from the increase/decrease in the value of the equity shares and their associates.

IX. Explanations on Presentation of Assets and Liabilities

1. Information on fair values of financial assets and liabilities

	Current
Financial Assets	
Money Market Placements	
Banks	4
Financial Assets Available for Sale	33
Investments Held to Maturity	13
Loans	99
Financial Liabilities	
Banks Deposits	2
Other Deposits	96
Funds Provided from Other Financial Institutions	18
Marketable Securities Issued	3
Funds Borrowed	7
Miscellaneous Payables	7

Fair values of investments held to maturity and the marketable securities are determined based on market prices; in cases where market prices cannot be measured, quoted prices of similar assets or liabilities, or amortization having similar interest, maturity and other characteristics are used for determination.

Market prices are taken into account in determining the fair value of investments held to maturity and the marketable securities. In cases where market prices cannot be measured in an active market, fair values are not determined. Fair values, which are calculated by the internal rate of return method, are taken into account in determining the fair value of investments held to maturity and the marketable securities.

Fair values of banks, loans granted, deposits and funds borrowed are determined based on market prices. In cases where market prices cannot be measured in an active market, fair values are not determined. Fair values, which are calculated by the internal rate of return method, are taken into account in determining the fair value of investments held to maturity and the marketable securities.

2. Information on fair value measurements recognized in the consolidated financial statements

TFRS 7 "Financial Instruments: Disclosures" requires the fair value of financial instruments to be shown in the notes by being classified within a hierarchy of three levels. Financial instruments are classified into three levels in such a way that they will have the most reliable and observable market data for measurements. At the first level, there are financial instruments whose fair values are determined by directly or indirectly observable market 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 prices for similar assets or liabilities, at the third level, there are financial instruments whose fair values are determined by the data provided by the Group. Financial assets, which are recognized in the consolidated financial statements, are classified according to the aforementioned principles of ranking.

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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

- 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.
- The Group has no fiduciary transactions.

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XI. Explanations on Business Segmentation

The Group's operations are classified as corporate, treasury/investment banking. While the commercial and corporate banking operations are carried out by its financial institutions, according to their own criterion, in the retail banking, the needs of individuals are met by performing various services such as overdraft accounts, credit cards, bill collections, remittance services, investment loans, deposit and cash management, credit and financing, letter of guarantee, letter of credit, forfeiting, foreign exchange transactions, tax collections and other banking services are provided.

By retail banking, the needs of individuals are met by performing various services such as overdraft accounts, credit cards, bill collections, remittance services, investment loans, deposit and cash management, credit and financing, letter of guarantee, letter of credit, forfeiting, foreign exchange transactions, tax collections and other banking services are provided.

Within the context of treasury transactions, medium and long-term investments, trading, money market transactions, spot and forward TL and foreign currency transactions, such as forwards, swaps, futures and options, as well as syndicated loans, etc.

The Group's investments in unconsolidated associates and subsidiaries are carried out in the banking.

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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.

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Prior Period	Corporate	Commercial
OPERATING INCOME/EXPENSE		
Interest Income		
Interest Income from Loans	1,310,210	2,124,306
Interest Income from Banks		
Interest Income from Money Market Transactions		
Interest Income from Securities		
Finance Lease Income	29,634	54,446
Other Interest Income	10	18,671
Interest Expense		
Interest Expense on Deposits	898,026	255,881
Interest Expense on Funds Borrowed	84,833	1,588,613
Interest Expense on Money Market Transactions		
Interest Expense on Securities Issued		
Other Interest Expense		
Net Interest Income		
Net Fees and Commissions Income		
Fees and Commissions Received	132,170	380,332
Fees and Commissions Paid	176,624	1,906,613
Dividend Income		
Trading Income/Loss (Net)		
Other Income	798,184	985,866
Prov. for Loans and Other Receivables	12,604	351,951
Other Operating Expense	863,399	1,088,613
Income Before Tax		
Tax Provision		
Net Period Profit		
Group Profit/Loss		
Minority Shares' Profit/Loss		
SEGMENT ASSETS		
Fin. Assets At Fair Value Through P/L		
Banks and Other Financial Institutions		
Money Market Placements		
Financial Assets Available for Sale		
Loans and Receivables	26,355,764	21,427,397
Investments Held to Maturity		
Associates and Subsidiaries		
Lease Receivables	413,084	549,211
Other	293,434	
SEGMENT LIABILITIES		
Deposits	19,600,577	10,116,332
Derivative Financial Liabilities Held for Trading		
Funds Borrowed	563,332	139,301
Money Market Funds		
Securities Issued		
Other Liabilities	39,870	
Provisions		
Shareholders' Equity		

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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).

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c. Positive differences on derivative financial assets held:

	TL
Forward Transactions	
Swap Transactions	
Futures	
Options	
Other	
Total	

3. Information on Banks:

a. Information on banks:

	Current Period
	TL
Banks	
Domestic Banks	509,58
Foreign Banks	92,87
Foreign Head Office and Branches	
Total	602,46

b. Information on foreign banks:

	Current Period
	TL
EU Countries	
USA, Canada	
OECD Countries (1)	
Off-shore Banking Regions	
Other	
Total	

(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 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 as of 31 December 2011 (31 December 2010: TL 9,301,139).

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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

TÜRKİYE İŞ BANKASI A.Ş.

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c. Loans according to their maturity structure:

	Standard Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	31,992,555	
Non-Specialized Loans	31,992,555	
Specialized Loans		
Other Receivables		
Medium and long-term Loans and Other Receivables	64,715,718	
Non-Specialized Loans	64,715,718	
Specialized Loans		
Other Receivables		

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)

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

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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			
Real Estate Loans	6,102			
Vehicle Loans	96,867			
General Purpose Commercial Loans	779,584			
Other Commercial Loans	7,722			
Commercial Loans With Installments-FC Indexed	37,796			
Real Estate Loans				
Vehicle Loans	4,147			
General Purpose Commercial Loans	33,649			
Other Commercial Loans				
Commercial Loans With Installments-FC	9,234			
Real Estate Loans	2,020			
Vehicle Loans	98			
General Purpose Commercial Loans	6,990			
Other Commercial Loans	126			
Corporate Credit Cards-TL	448,415			
With Installments	63,262			
Without Installments	385,153			
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (corporate)	576,769			
Overdraft Accounts – FC (corporate)	142			
Total	1,962,631			

f. Allocation of loan by borrowers:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Public Sector				
Private Sector				
Total				
g. International and domestic loans:				
Domestic Loans				
International Loans				
Total				

TÜRKİYE İŞ BANKASI A.Ş.

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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:

	Current Period	Prior Period
Specific Provisions		
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 Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V 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

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j.2. Movement of total non-performing loans:

	Group III Loans and Receivables with Limited Collectibility
Prior Period Ending Balance	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Additions (+)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Transfers from Other NPL categories (+)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Transfers to Other NPL categories (-)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Collections (-) (*)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Write-Offs (-)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Current Period Ending Balance	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Specific Provisions (-)	
Corporate and Commercial Loans	
Retail Loans	
Credit Cards	
Other	
Net Balance on Balance Sheet	

(*) During the current year, TL 88,464 of the NPL portfolio, TL 13,905 of the Standard Varlık Yönetimi A.Ş. in exchange for TL 13,905.

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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	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.

TÜRKİYE İŞ BANKASI A.Ş.

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I. Information on "Write-off" policies:

In case there is still a residual receivable despite all the borrower's efforts, a legal follow-up fails due to the fact that the borrowers' assets are reduced to one if an evidence of borrowers' insolvency is obtained, totally uncollectible receivables are written-off.

6. Investments Held to Maturity:

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

Investments held to maturity, which are given as collateral, are as follows: (31 December 2010: TL 2,079,105).

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

Assets held to maturity, which are subject to repurchase agreement, are as follows: (31 December 2010: TL 2,630,105).

c. Information on government securities held to maturity:

Government Bonds
Treasury Bills
Other Public Debt Securities
Total

d. Information on investments held-to-maturity:

Debt Securities
Traded on the Stock Exchange
Not Traded on the Stock Exchange
Impairment Losses (-)
Total

e. Movement of the investments held to maturity during the period:

Beginning Balance
Foreign Exchange Differences Arising on Monetary Assets
Purchases During the Year
Transfers
Disposals through Sales and Redemption
Impairment Losses (-)
Changes in amortized costs of the investments
Balance at the end of the Period

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)

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

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b.4. Consolidated associates traded on a stock exchange:

b.5. Consolidated associates disposed of in the current period:

b.6. Consolidated associates acquired in the current period:

b.7. Other issues related to associates:

In order to carry out domestically the decisions made by the UN Security Council in 2011, for imposing various sanctions to the repressive regime of the Libyan government, the BRSA decided that as per the Cabinet Decision No. 110, the shareholding rights of Libyan Foreign Bank's (LFB), the majority shareholder of Arap Türk Bankası A.Ş., except for the dividend rights, shall be suspended until the implementation of the related decisions are ended for the LFB. The shareholding rights of Arap Türk Bank on the Board of Arap Türk Bankası A.Ş. were terminated on 12.07.2011. SDIF.

The abovementioned UNSC decisions on imposing various sanctions to the Libyan government have been cancelled by the UN Security Council in 2015. Within the framework of this development, the Cabinet Decision No. 110, the majority shareholder of Arap Türk Bankası A.Ş. has been terminated.

During the current period, of the companies included in the LFB's shareholding rights, the majority shareholder of Arap Türk Bankası A.Ş. has been terminated.

TSKB decided to participate with 10% shares and TL 800 million in the establishment of headquarter in İzmir with a net book value of TL 392 in Gözlük Sanayi A.Ş. sales amount in advance.

During the current period, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. for TL 54,409 (USD 30.5 million) and San. ve Tic. A.Ş. for TL 7,306 in return.

On 7 July 2011, İş Gayrimenkul Yatırım Ortaklığı A.Ş. founded a 50% share, Nest in Globe B.V., which is headquartered in the investment project that may come up abroad.

In May, together with Bilici Yatırım Sanayi ve Ticaret A.Ş. Adana Otel Projesi Adi Ortaklığı (Adana Hotel Project Company) has 50% share. The core business of the said order be run by Palmira Turizm Ticaret A.Ş.

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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	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-	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	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.

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Financial statement information related to consolidated subsidiaries:

	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (1)
1-	1,998,851	637,966	49,381	51
2-	5,651,031	435,720	23,023	198
3-	26,672	4,622	959	2
4-	311,944	44,993	41,611	18
5-	49,507	7,838	731	2
6-	1,501	1,501	357	2
7-	432,413	52,973	672	35
8-	2,242,053	520,018	2,515	155
9-	1,161,022	1,034,472	1,025,715	5
10-	176,411	172,441	240	3
11-	61,489	59,630	1,213	5
12-	3,647,176	678,366	9,391	98
13-	225,200	223,778	38	5
14-	2,259,173	259,744	42,390	92
15-	34,490	2,220	367	2
16-	1,594,892	447,270	46,842	42
17-	324,370	201,466	293,657	1
18-	38,736	38,650		1
19-	9,821,491	1,486,861	235,859	394
20-	642,295	64,918	1,405	18

(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:

Balance at the Beginning of the Period
Movements in the Period
Purchases (1)
Bonus Shares Acquired
Dividends Received from the Current Year Profit
Sales
Revaluation Surplus (2)
Impairment
Balance at the End of the Period
Capital Commitments
Contribution in equity at the end of the period (%)

(1) As of reporting date, TL 417,877 recognized in current period. Stock Company İşbank, TL 62,910 is from the participation in the resulted from the acquisitions related to the capital increases of subsidiaries.

(2) The relevant amounts represent the increases and decreases in exchange.

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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

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a. 2. Information regarding net investments made on:

Gross Finance Lease Investment	
Unearned Financial Revenue from Financial Lease (-)	
Net Finance Lease Investment	

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

	Current Period
	Gross
Less than 1 Year	2,370,596
1-4 Years	
More than 4 Years	
Total	2,370,596

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

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

12. Information on Tangible Assets (Net):

Current Period	Real Estate
Acquisition Cost	
Balance at the Beginning of the Period	3,716,327
Movements in the Period	
- Acquisitions (1)	
- Disposals	-
- Impairment (2)	
- Transfers	
- Foreign Currency Difference	
Impact of Consolidated Subsidiaries	
Balance at the End of the Current Period	3,716,327
Accumulated Depreciation	
Balance at the Beginning of the Period	-2,116,327
Movements in the Period	
- Depreciation Charge	-
- Disposals	
- Impairment	
- Transfers	-
- Foreign Currency Difference	
Impact of Consolidated Subsidiaries	
Balance at the End of the Current Period	-2,116,327
Net Book Value at the End of the Prior Period	1,599,365
Net Book Value at the End of the Current Period	1,599,365

(1) As of the balance sheet date, the book value of tangible assets acquired in the current period is zero.
(2) They are the impairment releases related to the real estates, whose fair value is zero.

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Prior Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,749,608	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

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14. Information on investment property:

Investment properties are properties that the Group holds to earn rental income or for capital appreciation. They are presented in Section Three: XIV.

Acquisition Cost
Balance at the Beginning of the Period
Movements in the Period
- Acquisitions
- Disposals (-)
- Impairment
- Transfers
- Impact of Consolidated Subsidiaries
Balance at the End of the Period
Accumulated Amortization
Balance at the Beginning of the Period
Movements in the Period
- Amortization Charge (-)
- Disposals
- Impairment
- Transfers
Balance at the End of the Current Period
Net Book Value at the End of the Prior Period
Net Book Value at the End of the Period

15. Information on deferred tax asset:

The Parent Bank and the other consolidated Group companies have deferred tax assets and liabilities as of 31 December 2011. Such deferred tax asset is calculated based on the temporary differences and their tax basis measured as per the prevailing tax laws. If the temporary differences are followed under equity, the related tax asset/liability is recorded under equity.

Tangible Assets Base Differences	
Provisions (1)	
Finance Lease Adjustment	
Valuation of Financial Assets	
Other (2)	
Net Deferred Tax (Asset)/Liability:	

(1) Comprised of employee termination benefits, actual and expected pension provisions, the provisions for credit card bonus points, and other provisions.

(2) The investment incentive application has been removed from the consolidated financial statements of the companies, which have not been used as of 31 December 2005 and 2007 and 2008; and it is stated that the amount, if not deducted from the consolidated financial statements, should be deducted from the other hand, the Court of Constitution has cancelled this regulation of the 2009, finding it against the Constitution, and in this way, the time limit of the date of reporting. The related decision was published on the Official Gazette of the Republic of Turkey, No. 28520, dated 12.12.2010, under the heading of "Finansal Kiralama A.Ş., one of the consolidated companies, has been exempted from the investment incentive." of the "Other" item on the above table.

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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.

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II. EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS**1. Information on Deposits:****a.1. The maturity structure of deposits (Current Period):**

	Demand	7 Days Notice	Up to 1 Month	1-3 Months
Savings Deposits	5,005,140		4,200,439	28,040,18
Foreign Currency Deposits	6,296,721		5,781,985	16,412,53
Residents in Turkey	5,611,233		5,313,900	15,681,85
Residents Abroad	685,488		468,085	730,67
Deposits of Public Institutions	208,535		419,186	398,01
Commercial Deposits	4,521,788		1,444,240	4,445,53
Other Institutions Deposits	273,119		607,730	2,949,25
Precious Metals Deposits	2,479,052			
Interbank Deposits	270,076		550,609	865,14
The Central Bank of Turkey	83,478			
Domestic Banks	11,135		48,085	291,26
Foreign Banks	172,094		502,524	573,87
Participation Banks	3,369			
Other				
Total	19,054,431		13,004,189	53,110,66

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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	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

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b.2. Savings deposits which are not under the guarantee of Savings Deposits Insurance Fund:
2. Information on Derivative Financial Liabilities:

Negative differences on derivative financial liabilities held for trading:

	Current Period
	TL
Forward Transactions	103,430
Swap Transactions	363,430
Futures	
Options	
Other	2,150
Total	470,010

3. Banks and Other Financial Institutions:
a. Information on banks and other financial institutions:

	Current Period
	TL
Funds borrowed from the Central Bank of Turkey	
Funds borrowed from Domestic Banks and Institutions	501,011
Funds borrowed from Foreign banks, institutions and funds	41,140
Total	542,151

b. Maturity analysis of funds borrowed:

	Current Period
	TL
Short-term	491,721
Medium and Long-term	50,430
Total	542,151

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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.

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6. Information on lease payables (Net):

The group does not have any liabilities resulting from financial lease contracts.

7. Information on derivative financial liabilities held:

The Group does not have any derivative financial liabilities held.

8. Information on provisions:

a. Information on general loan loss provisions:

General Loan Loss Provisions
Provision for Group I Loans and Receivables
Provision for Group II Loans and Receivables(1)
Provision for Non-cash Loans
Other

(1)Also includes general provision for Group II Non-cash Loans.

Within the framework of the "Regulation Regarding the Arrangement and Determination of Qualifications of Loans and Other Receivables" published in the Official Gazette dated 28 May 2011, no. 28513, 32,658 loans (7,914 group I loans / 24,744 group II loans), with a total amount of 49,227 loans (37,145 group I loans / 12,082 group II loans) were classified as non-performing loans.

b. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreement, termination benefits to employees who retire, die, quit for their own reasons or as defined in the related regulation or to the female employees of their marriage. In accordance with the related regulation, the base salary ceiling for employee termination benefits is TL 2,731.85 (full TL amount as of 31 December 2011), which is the base salary ceiling for employee termination benefits. The provision was set aside and reflected to the financial statements.

The main actuarial assumptions used in the calculation of the defined benefit obligation at the beginning of the period are as follows:

- discount and inflation rates, which vary by years, and the salary increase was taken as 2%.
- TL 2,731.85 (full TL amount) salary ceiling, which is used to account for the calculations.
- the age of retirement is considered as the earliest age of retirement.
- CSO 1980 table is used for the mortality rate for female employees.

The movements related to provision for employee termination benefits are as follows:

Present value of defined benefit obligation at the beginning of the period
Service Cost
Interest Cost
Benefits paid
Loss/(Gain) due to Settlements / Reductions / Terminations
Actuarial loss/(gain)
Impact of Consolidated Companies
Defined benefit obligation at the end of the period

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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

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The assets of the pension fund are as follows.

	Current Period
Cash	
Securities Portfolio	
Other	
Total	

On the other hand, after the transfer, the currently paid health insurance contributions are determined according to 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 provided in the tax liability of the Parent Bank and the consolidated companies in the financial statements. Tax liability of the Parent Bank and the consolidated companies as of 31 December 2011 is TL 205,315 as of 31 December 2011.

a.2. Information on taxes payable:

Corporate Tax Payable
Tax on Securities Income
Tax on Real Estate Income
Banking Insurance Transaction Tax
Foreign Exchange Transaction Tax
Value Added Tax Payable
Other
Total

a.3. Information on premiums:

Social Security Premiums - Employees
Social Security Premiums - Employer
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
Unemployment Insurance - Employer
Other
Total

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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.

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f. Previous periods' indicators related to income, forecasts, which are to be made by taking into consideration the Group's profitability performance, equity: The Parent Bank's and the Group companies' balance sheet, which are to be made by taking into consideration the effect of risks arising from interest rates, exchange rates and the Group's profitability performance.

g. Privileges Granted to Shares:

Group (A) shares each with a nominal value of 1 Kuruş,

- receiving 20 times the number of shares in the extraordinary and revaluation reserves generated by the Articles of Incorporation)
- exercising the preference rights as 20 times the number of shares in the extraordinary and revaluation reserves generated by the Articles of Incorporation)
- 20 voting rights (Article 49 of the Articles of Incorporation)

Despite having a lower nominal value, Group (B) shares, each with the Group (C) shares having a nominal value of 4 Kuruş, a nominal value of 1 Kuruş, are granted privileges in distribution of profits and dividends in the Articles of Incorporation.

h. Information on marketable securities value increase:

	Current Period
	TL
Associates, Subsidiaries and Jointly Controlled Entities	1,416,409
Valuation Difference	1,416,409
Foreign Exchange Differences	
Financial Assets Available for Sale	-395,965
Valuation Difference	-462,711
Deferred Tax Effect on Valuation	66,746
Foreign Exchange Differences	
Total	1,020,444

13. Explanations on Minority Shares:

Paid-in Capital
Share Premium
Marketable Securities Revaluation Reserve
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)
Legal Reserves
Statutory Reserves
Extraordinary Reserves
Other Profit Reserves
Prior Years' Profit/ Loss
Current Year Profit/ Loss (1)
Period Ending Balance

(1) Difference between effective and direct shareholding was TL 4,000,000.

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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

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c. 2. Sectoral Risk Concentration of Non-cash Loans:

	Current Period		
	TL	(%)	Prior Period
Agriculture	114,202	1.12	10,000
Farming and Stockbreeding	56,855	0.56	5,000
Forestry	56,233	0.55	5,000
Fishery	1,114	0.01	0
Industry	3,245,018	31.69	10,000
Mining and Quarrying	100,355	0.98	0
Manufacturing	2,386,390	23.30	10,000
Electricity, Gas, Water	758,273	7.41	2,000
Construction	1,964,191	19.18	2,000
Services	4,802,627	46.90	3,000
Wholesale and Retail Trade	2,971,252	29.02	1,000
Hotel and Restaurant Services	100,326	0.98	0
Transportation and Communication	261,961	2.56	0
Financial Institutions	947,143	9.25	0
Real Estate and Rental Services	248,303	2.42	0
Self-Employed Services	205,340	2.01	0
Educational Services	16,043	0.16	0
Health and Social Services	52,259	0.50	0
Others	114,229	1.11	1,000
Total	10,240,267	100.00	10,000

c. 3. Non-cash Loans classified under Group I and Group II:

	Current Period	Prior Period
Non-cash Loans		
Letters of Guarantee		
Bank Acceptances		
Letters of Credit		
Endorsements		
Underwriting Commitments of the Securities Issued		
Factoring Related Guarantees		
Other Guaranties and Warranties		

2. Information on Derivative Financial Instruments

Majority of the Group's derivative transactions comprise foreign exchange trading, currency and interest rate options. Even though these transactions are entered into for risk hedging, since all necessary conditions to be defined as "held for trading purposes" are not met, they are recognized as "held for trading purposes" with "Recognition and Measurement".

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)*

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.

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. EXPLANATIONS AND FOOTNOTES ON THE

1.a. Information on interest income on loans:

Interest Income on Loans (1)
Short-term Loans
Medium and Long-term Loans
Interest on Non-performing Loans
Premiums Received from State Resource Utilization Support Fund
Total

(1) Includes fee and commission income on cash loans.

1.b. Information on interest income on banks:

The Central Bank of Turkey
Domestic Banks
Foreign Banks
Foreign Head Offices and Branches
Total

1.c. Information on interest income from securities:

Interest Income on Financial Assets Held for Trading
Interest Income on Financial Assets at Fair Value through Profit and Loss
Interest Income on Financial Assets Available for Sale
Investments Held to Maturity
Total

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

Interest Received from Associates and Subsidiaries

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

Banks
Central Bank of Turkey
Domestic Banks
Foreign Banks
Foreign Head Offices and Branches
Other Institutions
Total (1)

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

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

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	19,354	9,523

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid to Securities Issued	167,914	41,792	5,722	

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

	Demand Deposits	Time Deposits						Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year	Accumulated Deposits	
TL								
Bank Deposits	3	8,589	32,879	6,043	2,244	3,060		52,818
Savings Deposits	8	724,326	1,917,244	166,770	34,497	34,021		2,876,866
Public Sector Deposits	18	7,495	13,466	825	2	483		22,289
Commercial Deposits	118	142,974	356,772	63,214	6,764	3,984		573,826
Other Institutions Deposits		72,943	206,982	183,437	104,802	58		568,222
Deposits with 7 Days Notice								
Total	147	956,327	2,527,343	420,289	148,309	41,606		4,094,021
FC								
Foreign Currency Deposits	1,023	183,234	407,435	89,033	23,321	107,894		811,940
Bank Deposits	34	4,055	10,539	5,901	1,686	3,593		25,808
Deposits with 7 Days Notice								
Precious Metals Deposits								
Total	1,057	187,289	417,974	94,934	25,007	111,487		837,748
Grand Total	1,204	1,143,616	2,945,317	515,223	173,316	153,093		4,931,769

3. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading	3,819	6,624
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	4,267	2,556
Other	163,391	36,605
Total	171,477	45,785

TÜRKİYE İŞ BANKASI A.Ş. (Convenience Trans
Footnotes Originall

4. Information on trading income/losses (Net):

Profit
Securities Trading Gains
Gains on Derivative Financial Instruments
Foreign Exchange Gains
Losses (-)
Securities Trading Losses
Losses on Derivative Financial Instruments
Foreign Exchange Losses
Trading Income/Losses (Net)

The profit amount arising from foreign currency changes related to the foreign currency denominated assets and liabilities stands at TL 584,517 and the amount of net profit is TL 2,779,801 (TL 2,779,801).

5. Information on other operating income:

TL 2,565,661 of other operating income sources from income reinsurance companies; 92% of which is from insurance policies composed of collections and cancellations of the provisions of performing loans. The rest of income consists of sales profit received from customers on various banking services. Also, Mastercard, which the Bank follows under available-for-sale

In prior period, operating income of insurance and reinsurance is from insurance premiums.

TÜRKİYE İŞ BANKASI A.Ş.

(Convenience Translation of Financial Statements and Related Disclosures and
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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

TÜRKİYE İŞ BANKASI A.Ş.

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On the table above, TL 2,304,799 of other operating expenses which are related with their operations, 13% of which is from

In prior period, TL 1,977,806 of other operating expenses which are related with their operations, 14% of which is from

8. Information on Profit/Loss before taxes including discontinued operations

The Group's profit before tax is generated from its continuing operations. The Group's profit before tax is TL 5,416,996, net fee and commission income of TL 6,615,795.

9. Information on Provision for taxes including tax on discontinued operations

As of 31 December 2011 the Group's total tax provision of TL 313,445 and deferred tax income of TL 313,445.

10. Information on Net operating profit/loss after tax including discontinued operations:

The Group's net profit generated from its continuing operations is TL 5,103,551.

11. Explanation on Net Period Profit / Loss:

a. Income and expense resulting from regular banking operations are disclosed in the consolidated financial statements. No disclosure is required for better understanding of the Group's performance.

b. Any changes in estimations that might have a material effect on the Group's performance are disclosed in the consolidated financial statements. No disclosure is required.

c. The "Other" item under "Fees and Commissions" is disclosed in the consolidated financial statements. The Group's commissions received from banking operations, mainly credit and debit card commissions, are disclosed in the consolidated financial statements.

d. Other items do not exceed 10% of the total amount of net profit/loss.

e. Net Profit / Loss of minority shares:

Net Profit / Loss of 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)

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

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. EXPLANATIONS AND FOOTNOTES ON THE CONSOLIDATED STATEMENT OF CASH-FLOWS

1. Information on the volume of transactions relating to deposits, interest income and period's profit and loss:

a. Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	
	Cash	Non-Cash
Loans and other receivables		
Balance at the beginning of the period	90,292	1,624,291
Balance at the end of the period	62,291	2,309,165
Interest and commission income received	3,763	

Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	
	Cash	Non-Cash
Loans and other receivables		
Balance at the beginning of the period	48,578	1,498,165
Balance at the end of the period	90,292	1,624,291
Interest and commission income received	4,333	

b. Information on deposits held by the Group's risk groups:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	
	Current Period	Prior Period
Deposits		
Balance at the beginning of the period	250,067	349,909
Balance at the end of the period	399,014	250,067
Interest expense on deposits	11,230	9,523

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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						
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 REPRESENTATIVE OFFICES

The Parent Bank – Türkiye İş Bankası A.Ş.

	Number	Employees	
Domestic Branches(*)	1,184	24,667	
			Country of
Foreign Representative Offices	1	1	China
	1	1	Egypt
Foreign Branches	1	24	England
	14	176	TRNC
	1	10	Iraq
Off-Shore Branches	1	8	Bahrain

(*)The Branches located in Free Trade Zones in Turkey are included among

İşbank GmbH

	Number	Employees	
Domestic Branches(*)	12	174	
			Country of
Foreign Representative Offices			
Foreign Branches	1	9	The Netherlands
	1	9	France
	1	8	Switzerland
	1	9	Bulgaria
Off-Shore Branches			

(*) Germany is meant by the term "domestic".

Türkiye Sınai Kalkınma Bankası A.Ş.

	Number	Employees	
Domestic Branches	2	348	
			Country of
Foreign Representative Offices			
Foreign Branches	1	2	Bahrain
Off-Shore Branches			

TÜRKİYE İŞ BANKASI A.Ş.

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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.

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)

IX. Issues after the Balance Sheet Date

1. Within the framework of the resolution made by the Board of Directors on 1 December 2011 regarding the issuance of borrowing instrument with a maturity of 1,000,000 and with a maturity of 175 days was realized in J. redemption date 18 July 2012 was at 11.14% (annual simple interest rate).

2. On 1 February 2012, the Bank's Board of Directors decided to increase the authorized capital of the Bank from TL 10,000,000 to TL 20,000,000 and to amend the Bank's Articles of Incorporation and on the same date it was approved by the shareholders.

3. On 13 February 2012, the Bank's Board of Directors decided to increase the authorized capital of the Bank from 523 million Rubles (approximately USD 40.2 million) in cash and to increase the authorized capital of the Bank to 1 billion Rubles due to the related capital increase and on the same date it was approved by the shareholders.

4. In the Board Meeting of Türkiye Sınai ve Kalkınma Bankası A.Ş. on 13 February 2012, the Bank's Bahrain branch was established.

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 SIX: OTHER EXPLANATIONS

I. The Group's Credit Ratings and Related Explanations:

Türkiye İş Bankası A.Ş.

	Rating	Outlook (*)	Explanation
MOODY'S			
Bank Financial Strength	C-	Stable	Indicates that the Bank's stand-alone financial strength is adequate.
Long-term Foreign Currency Deposit	Ba3	Positive	Same as the rating for Turkey.
Long-term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-term Foreign Currency Deposit	NP	-	Same as the rating for Turkey.
Short-term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is good. It is one notch above the country rating.
Long-term Local Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is good. It is one notch above the country rating.
Short-term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-term Rating	AAA (tur)	Stable	Shows highest credit quality (national).
Viability Rating	bbb-	-	Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Support Rating	3	-	There is a moderate probability of support.
STANDARD & POOR'S			
Long-term Counterparty Credit Rating	BB	Positive	Same as the FC country rating given for Turkey.
Long-term Certificate of Deposit	BB	-	Same as the FC country rating given for Turkey.
Short-term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its financial commitment on the obligation.
Short-term Certificate of Deposit	B	-	Indicates that it has the capacity to meet its financial commitment on its obligations.
Long-term National Scale Rating	trAA	-	Indicates that its capacity to meet its financial commitments on the obligation are strong. 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.
Short-term National Scale Rating	trA-1	-	

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.

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)

Türkiye Sınai Kalkınma Bankası A.Ş.

MOODY'S	
Bank Financial Strength	
Long-term Foreign Currency Deposit	
Short-term Foreign Currency Deposit	
FITCH RATINGS	
Long-term Foreign Currency Issuer Default Rating	
Long-term Local Currency Issuer Default Rating	
Short-term Foreign Currency Issuer Default Rating	
Short-term Local Currency Issuer Default Rating	
Individual Rating (*)	
Support Rating	

The dates below given are on which the TSKB's credit ratings/outlook was last updated:

Moody's: 17 May 2011, Fitch Ratings: 28 November 2011

(*) On 25 January 2012, Fitch Ratings withdrew its category

İş Finansal Kiralama A.Ş.

FITCH RATINGS	
Long-term Foreign Currency Issuer Default Rating	
Long-term Local Currency Issuer Default Rating	
Short-term Foreign Currency Issuer Default Rating	
Short-term Local Currency Issuer Default Rating	
National Long-term Rating	
Support Rating	

The date below given is on which the credit ratings of İş Finansal Kiralama A.Ş. were last updated:

Fitch Ratings: 1 December 2011

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 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.

PRINCIPAL OFFICE OF THE BANK

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34330 Levent, İstanbul
Turkey

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Germany

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Canary Wharf
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United Kingdom

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London E14 4QA
United Kingdom

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**FISCAL AGENT AND
PRINCIPAL PAYING AGENT**

The Bank of New York Mellon, London Branch
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United Kingdom

**REGISTRAR, TRANSFER AGENT
AND PAYING AGENT**

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2-4 rue Eugene Ruppert
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