



# **Türkiye Sınai Kalkınma Bankası Anonim Şirketi and its Subsidiaries**

**Consolidated Interim Financial Statements  
As of and for the Nine-Month Period Ended 30 September 2011  
(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)  
With Independent Auditors' Review Report Thereon**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

3 November 2011

*This report contains "Independent Auditors'  
Review Report" comprising 1 page and;  
"Consolidated Financial Statements and  
Related Disclosures and Footnotes"  
comprising 70 pages.*



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

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**Convenience Translation of the Independent Auditors' Review Report  
Originally Prepared and Issued in Turkish**

To the Board of Directors of  
Türkiye Sınai Kalkınma Bankası Anonim Şirketi

We have reviewed the consolidated balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") and its subsidiaries (collectively "the Group") as of 30 September 2011 and the related consolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the nine-month interim period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these consolidated financial statements based on our review.

We conducted our review in accordance with the regulations related with the "Accounting and Recording Rules" and "Independent Auditing Standards" of the (Turkish) Banking Law No 5411. These regulations require that we plan and perform the review to obtain limited assurance as to whether the consolidated 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as of 30 September 2011 and the consolidated results of its operations and its cash flows for the nine-month interim period then ended in accordance with the prevailing accounting principles and standards set out as per the Article No: 37 and Article No: 38 of the Banking Act No: 5411, and other regulations and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency.

Istanbul,  
3 November 2011

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Orhan Akova  
Partner

**Additional paragraph for convenience translation to English:**

As explained in Section 3 Note I, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

**THE CONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2011**

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The consolidated financial report designed for the nine months includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT

The subsidiaries, associates and joint ventures, whose financial statements are consolidated within the framework of the reporting package, are as follows:

**Subsidiaries**

Yatırım Finansman Menkul Değerler A.Ş.  
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.  
TSKB Yatırım Ortaklığı A.Ş.

**Associates**

İş Finansal Kiralama A.Ş.  
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.  
İş Factoring Finansman Hizmetleri A.Ş.

The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the nine months, unless otherwise indicated, are prepared in thousands of Turkish Lira ("TRY"), in accordance with the Communiqué on Bank's Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Bank's records, and have been independently reviewed and presented as attached.

November 3, 2011

**Adnan BALI**

**Chairman of  
Board of Directors**

**H. Fevzi ONAT**

**Member of Board  
of Directors and  
General Manager**

**Ömer ERYILMAZ**

**Executive Vice President  
In Charge of Financial Reporting**

**Mustafa GÖKTAŞ**

**Head of Financial  
Control Department**

**Mustafa Baran TUNCER**

**Member of Audit Committee**

**Kemal Serdar DIŞLI**

**Member of Audit Committee**

**Murat BİLGİÇ**

**Member of Audit Committee**

Contact information of the personnel in charge for addressing questions about this financial report:

**Name-Surname / Title** : Mustafa Göktaş / Head of Financial Control Department

**Telephone Number** : 0212 334 51 92

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**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2011**

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

**SECTION ONE**

**GENERAL INFORMATION**

**I. The Parent Bank's incorporation date, beginning statue, changes in the existing statue**

Türkiye Sınai Kalkınma Bankası ("The Parent Bank") was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the statute of the Parent Bank is "Development and Investment Bank". The Bank does not have the authority of "Accepting Deposit". Since the establishment date of the Bank, there is no change in its "Development and Investment Bank" status.

**II. Explanations regarding the Parent Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Parent Bank**

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power indirectly or directly, alone or together with other shareholders. Shareholders of the Bank are as follows:

<b>Current Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b><u>Name Surname/Commercial Title</u></b>				
T. İş Bankası A.Ş. Group	400.000	50,00	400.000	-
T. Vakıflar Bankası T.A.O.	67.020	8,38	67.020	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	332.970	41,62	332.970	-
Physically Under Custody (Other Institutions and Individuals)	10	-	10	-
<b>Total</b>	<b>800.000</b>	<b>100,00</b>	<b>800.000</b>	<b>-</b>

<b>Prior Period</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
<b><u>Name Surname/Commercial Title</u></b>				
T. İş Bankası A.Ş. Group	350.451	50,06	350.451	-
T. Vakıflar Bankası T.A.O.	58.642	8,38	58.642	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	290.894	41,56	290.894	-
Physically Under Custody (Other Institutions and Individuals)	13	-	13	-
<b>Total</b>	<b>700.000</b>	<b>100,00</b>	<b>700.000</b>	<b>-</b>

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistant general managers and their shares in the Parent Bank**

<u>Title (1)</u>	<u>Name and Surname</u>	<u>Academic Background</u>	<u>Task</u>	<u>Experience in Banking and Management Before Appointment</u>
Chairman of the Board of Directors	Adnan Bali (2)	Undergraduate		25 years
Vice Chairman of the Board of Directors	Mehmet Şencan (4)	Undergraduate		23 years
Members of the Board of Directors	Yavuz Canevi	Postgraduate		13 years
	Mustafa Baran Tuncer	Doktorate		28 years
	Ertan Burhanettin Kantar	Undergraduate		16 years
	Kemal Serdar Dışli	Undergraduate		19 years
	Murat Bilgiç	Postgraduate		15 years
	Yonca Koçak	Undergraduate		20 years
	Mehmet Coşkun Cangöz	Doktorate		10 years
	Uygar Şafak Ögün	Postgraduate		15 years
Member of the Board of Directors and General Manager	H. Fevzi Onat (5)	Undergraduate	General Manager	30 years
Members of Audit Committee	M. Baran Tuncer	Doktorate		28 years
	Kemal Serdar Dışli	Postgraduate		19 years
	Murat Bilgiç	Postgraduate		15 years
Senior Executive Presidents	A.Orhan Beşkök	Postgraduate	Technical Services	19 years
	Şeniz Yarcan	Undergraduate	Treasury, Investment Banking and External Relation	16 years
Executive Presidents	Burak Akgüç	Undergraduate	Corporate Marketing	14 years
	Ömer Eryılmaz	Undergraduate	Financial Control and Securities	20 years
	Çiğdem İçel (6)	Undergraduate	Information Technology and Human Resources	17 years
	Ufuk Bala Yücel	Undergraduate	Loans	20 years
Statutory Auditors	Volkan Kublay (3)	Undergraduate	Auditor	11 years
	Hamide Esmâ Uygun Çelikten (3)	Undergraduate	Auditor	14 years

**Changes**

<u>Title</u>	<u>Resigned</u>	<u>Appointed</u>
Chairman of the Board of Directors	Hakkı Ersin Özince (2)	Adnan Bali (2)
Member of the Board of Directors and General Manager	Halil Eroğlu (5)	H. Fevzi Onat (5)
Vice Chairman of the Board of Directors	Murat Vulkan (4)	Mehmet Şencan (4)
Statutory Auditors	Mete Uluyurt	Hamide Esmâ Uygun Çelikten (3)
Executive President	Şemseddin Arat (6)	

(1) The shares of above directors in the Parent Bank are symbolic.

(2) Mr. Hakkı Ersin Özince, the Chairman of the Board of Directors, resigned from his duty of the Chairman of the Board of Directors on 15 April 2011 and Mr. Adnan Bali was elected as the Chairman of the Board of Directors within the frame of Turkish Commercial Law Article No.315. In the Board of Directors meeting held on 21 April 2011, Mr. Adnan Bali, the member of the Board Directors, was elected within the Articles of Association of Bank No:18 as the Chairman of the Board of Directors.

(3) In the General meeting held on 25 March 2011, Mr. Volkan Kublay and Mrs. Hamide Esmâ Uygun Çelikten were elected as Statutory Auditors for the year 2011.

(4) In the Board of Directors meeting numbered 2008 held on 7 June 2011, Murat Vulkan has resigned his duty of member of Board of Directors and Mehmet Şencan was elected and started his duty on 13 June 2011. Under the 18th Article of the main contract of the Parent Bank, in the Board of Directors meeting with number 2011 held on 1 July 2011 Mehmet Şencan was elected as Vice Chairman of the Board of Directors and with the same Board of Directors meeting number, Mehmet Şencan was also elected as member of Corporate Board Committee.

(5) In the Board of Directors meeting numbered 2006 held on 30 May 2011, Halil Eroğlu resigned from his duties of the General Manager and member of Board of Directors (due to retirement) and H. Fevzi Onat was elected as member of Board of Directors within the frame of Turkish Commercial Law Article No.315. H.Fevzi Onat was also appointed as the General Manager. As of 13 June 2011 the legal procedures specified by the Banking Law was completed and H. Fevzi Onat started his duty as the General Manager.

(6) In the Board of Directors meeting numbered 2000 held on 28 April 2011, according to the organisation scheme, Şemseddin Arat resigned his duty of Information Technology and Human Resources (due to retirement) and Operation Executive President Çiğdem İçel was elected.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**IV. Information about the persons and institutions that have qualified shares in the Parent Bank**

T. İş Bankası A.Ş. (İş Bank) Group owns the qualified shares that control the Parent Bank's capital directly or indirectly.

<b>Current Period</b> <b>Name Surname/Commercial Title</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
T. İş Bankası A.Ş. Group	400.000	50,00	400.000	-
T. Vakıflar Bankası T.A.O.	67.020	8,38	67.020	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	332.970	41,62	332.970	-
Physically Under Custody (Other Institutions and Individuals)	10	-	10	-
<b>Total</b>	<b>800.000</b>	<b>100,00</b>	<b>800.000</b>	<b>-</b>

<b>Prior Period</b> <b>Name Surname/Commercial Title</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
T. İş Bankası A.Ş. Group	350.451	50,06	350.451	-
T. Vakıflar Bankası T.A.O.	58.642	8,38	58.642	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	290.894	41,56	290.894	-
Physically Under Custody (Other Institutions and Individuals)	13	-	13	-
<b>Total</b>	<b>700.000</b>	<b>100,00</b>	<b>700.000</b>	<b>-</b>

**V. Summary on the Parent Bank's functions and areas of activity**

Türkiye Sınai Kalkınma Bankası A.Ş. ("the Parent Bank") is the first private investment and development bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, T.R. Government, T.R. Central Bank and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of TSKB is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services.

The Parent Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Parent Bank has supported the development of the private sector by extending medium-term loans to more than 4.000 firms. After 1960's the Parent Bank had continued to finance over 100 firms by investing in these entities as a shareholder. The Parent Bank has also participated in improvement of capital markets by organizing public offerings of some firms.

The Parent Bank has opened two branches in Izmir and Ankara in April 2006 to enhance marketing and valuation operations.

TSKB Bahrain Branch, is the only branch of TSKB in abroad, started its operations on 18 January 2005 after obtaining the off-shore banking license from Bahrain Central Bank (BMA) on 30 December 2004. The mission of the branch is to expand to Middle East and exercise all activities including capital market transactions and giving foreign currency loans.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AT 30 SEPTEMBER 2011**

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

		Reviewed Current Period 30 September 2011			Audited Prior Period 31 December 2010			
ASSETS		Note Ref.	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	1.845	91.004	92.849	5.143	59.407	64.550
II.	FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	160.082	42.503	202.585	111.428	8.690	120.118
2.1	Trading financial assets		160.082	42.503	202.585	111.428	8.690	120.118
2.1.1	Public sector debt securities		119.048	699	119.747	83.019	-	83.019
2.1.2	Share certificates		18.443	-	18.443	24.008	-	24.008
2.1.3	Derivative financial assets held for trading		17.243	41.804	59.047	2.571	8.690	11.261
2.1.4	Other marketable securities		5.348	-	5.348	1.830	-	1.830
2.2	Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Share certificates		-	-	-	-	-	-
2.2.3	Other marketable securities		-	-	-	-	-	-
2.2.4	Loans		-	-	-	-	-	-
III.	BANKS	(3)	17.077	379.598	396.675	545.529	10.365	555.894
IV.	MONEY MARKET PLACEMENTS		43.581	-	43.581	7.830	-	7.830
4.1	Interbank money market placements		38.807	-	38.807	843	-	843
4.2	Istanbul Stock Exchange money market placements		2.404	-	2.404	385	-	385
4.3	Receivables from reverse repurchase agreements		2.370	-	2.370	6.602	-	6.602
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	1.765.057	603.054	2.368.111	1.660.196	468.421	2.128.617
5.1	Share certificates		23.917	2.957	26.874	32.010	2.957	34.967
5.2	Public sector debt securities		1.650.021	403.823	2.053.844	1.553.796	359.615	1.913.411
5.3	Other marketable securities		91.119	196.274	287.393	74.390	105.849	180.239
VI.	LOANS	(5)	1.738.364	4.194.424	5.932.788	1.588.141	3.038.809	4.626.950
6.1	Loans		1.738.364	4.194.424	5.932.788	1.588.141	3.038.809	4.626.950
6.1.1	Loans to risk group of the Bank		59.463	97.898	157.361	59.853	138.516	198.369
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		1.678.901	4.096.526	5.775.427	1.528.288	2.900.293	4.428.581
6.2	Non performing loans		12.220	15.353	27.573	11.989	14.496	26.485
6.3	Specific provisions (-)		(12.220)	(15.353)	(27.573)	(11.989)	(14.496)	(26.485)
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(6)	116.389	-	116.389	310.287	-	310.287
8.1	Public sector debt securities		116.389	-	116.389	310.287	-	310.287
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	190.523	-	190.523	174.284	-	174.284
9.1	Accounted for under equity method		189.432	-	189.432	173.600	-	173.600
9.2	Unconsolidated associates		1.091	-	1.091	684	-	684
9.2.1	Financial investments		-	-	-	-	-	-
9.2.2	Non-financial investments		1.091	-	1.091	684	-	684
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	842	-	842	612	-	612
10.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated non-financial subsidiaries		842	-	842	612	-	612
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	10	-	10	-	-	-
11.1	Consolidated under equity method		-	-	-	-	-	-
11.2	Unconsolidated		10	-	10	-	-	-
11.2.1	Financial subsidiaries		-	-	-	-	-	-
11.2.2	Non-financial subsidiaries		10	-	10	-	-	-
XII.	LEASE RECEIVABLES (Net)	(10)	-	40.993	40.993	-	70.088	70.088
12.1	Finance lease receivables		-	42.475	42.475	-	72.344	72.344
12.2	Operating lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income ( - )		-	(1.482)	(1.482)	-	(2.256)	(2.256)
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1	Fair value hedge		-	-	-	-	-	-
13.2	Cash flow hedge		-	-	-	-	-	-
13.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		17.361	2	17.363	24.898	1	24.899
XV.	INTANGIBLE ASSETS (Net)		1.874	-	1.874	1.859	-	1.859
15.1	Goodwill		1.005	-	1.005	1.005	-	1.005
15.2	Other		869	-	869	854	-	854
XVI.	INVESTMENT PROPERTY (Net)	(12)	216.622	-	216.622	213.281	-	213.281
XVII.	TAX ASSET	(13)	17.028	-	17.028	17.747	-	17.747
17.1	Current tax asset		-	-	-	401	-	401
17.2	Deferred tax asset		17.028	-	17.028	17.346	-	17.346
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(14)	-	-	-	-	-	-
18.1	Assets held for sale		-	-	-	-	-	-
18.2	Assets of discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(15)	100.587	82.671	183.258	30.842	14.702	45.544
TOTAL ASSETS			4.387.242	5.434.249	9.821.491	4.692.077	3.670.483	8.362.560

The accompanying notes are an integral part of these consolidated financial statements.



**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AT 30 SEPTEMBER 2011**

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

		Reviewed Current Period 30 September 2011			Audited Prior Period 31 December 2010		
LIABILITIES	Note Ref.	TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	16.502	53.933	70.435	2.760	7.594	10.354
<b>III. FUNDS BORROWED</b>	(3)	-	6.381.273	6.381.273	59.017	4.993.833	5.052.850
<b>IV. MONEY MARKET BALANCES</b>		1.275.915	211.086	1.487.001	1.291.434	142.299	1.433.733
4.1 Interbank money market takings		360.955	-	360.955	247.669	-	247.669
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		914.960	211.086	1.126.046	1.043.765	142.299	1.186.064
<b>V. DEBT SECURITIES ISSUED (Net)</b>		-	-	-	194.282	-	194.282
5.1 Bills		-	-	-	194.282	-	194.282
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		396	8.122	8.518	-	-	-
6.1 Borrower funds		396	8.122	8.518	-	-	-
6.2 Others		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		145.917	29.947	175.864	64.977	22.515	87.492
<b>VIII. OTHER LIABILITIES</b>	(4)	-	-	-	-	-	-
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	(5)	-	-	-	-	-	-
10.1 Finance lease payables		2	2	4	2	2	4
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses ( - )		(2)	(2)	(4)	(2)	(2)	(4)
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(6)	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	103.063	-	103.063	90.760	-	90.760
12.1 General loan loss provisions		55.395	-	55.395	43.539	-	43.539
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		5.850	-	5.850	5.292	-	5.292
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		41.818	-	41.818	41.929	-	41.929
<b>XIII. TAX LIABILITY</b>	(9)	14.815	-	14.815	16.621	-	16.621
13.1 Current tax liability		14.815	-	14.815	16.621	-	16.621
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(8)	-	93.661	93.661	-	77.947	77.947
<b>XVI. SHAREHOLDERS' EQUITY</b>	(10)	1.465.035	21.826	1.486.861	1.366.232	32.289	1.398.521
16.1 Paid-in capital		800.000	-	800.000	700.000	-	700.000
16.2 Capital reserves		45.026	21.826	66.852	68.691	32.289	100.980
16.2.1 Share premium		413	-	413	413	-	413
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		13.065	21.826	34.891	36.730	32.289	69.019
16.2.4 Tangible assets revaluation differences		31.174	-	31.174	31.174	-	31.174
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
16.2.8 Hedging reserves (Effective portion)		-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		374	-	374	374	-	374
16.3 Profit reserves		300.572	-	300.572	233.846	-	233.846
16.3.1 Legal reserves		97.975	-	97.975	75.558	-	75.558
16.3.2 Statutory reserves		47.510	-	47.510	36.929	-	36.929
16.3.3 Extraordinary reserves		152.167	-	152.167	118.439	-	118.439
16.3.4 Other profit reserves		2.920	-	2.920	2.920	-	2.920
16.4 Profit or loss		227.629	-	227.629	263.779	-	263.779
16.4.1 Prior years' profit/loss		49.854	-	49.854	41.110	-	41.110
16.4.2 Current year profit/loss		177.775	-	177.775	222.669	-	222.669
16.5 Non-controlling interests	(11)	91.808	-	91.808	99.916	-	99.916
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.021.643</b>	<b>6.799.848</b>	<b>9.821.491</b>	<b>3.086.083</b>	<b>5.276.477</b>	<b>8.362.560</b>

The accompanying notes are an integral part of these consolidated financial statements.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AT 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Reviewed Current Period 30 September 2011			Audited Prior Period 31 December 2010		
	Note Ref.	TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>2,949,305</b>	<b>6,816,869</b>	<b>9,766,174</b>	<b>1,704,995</b>	<b>4,212,043</b>	<b>5,917,038</b>
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	<b>284,486</b>	<b>994,639</b>	<b>1,279,125</b>	<b>350,881</b>	<b>743,037</b>	<b>1,093,918</b>
1.1 Letters of guarantee		272,052	457,370	729,422	319,866	481,459	801,325
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		272,052	457,370	729,422	319,866	481,459	801,325
1.2 Bank acceptances		-	3,271	3,271	-	-	-
1.2.1 Import letters of acceptance		-	3,271	3,271	-	-	-
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	533,998	533,998	-	259,695	259,695
1.3.1 Documentary letters of credit		-	533,998	533,998	-	259,695	259,695
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 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		12,434	-	12,434	31,015	1,883	32,898
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>1,280,365</b>	<b>1,661,841</b>	<b>2,942,206</b>	<b>932,789</b>	<b>636,309</b>	<b>1,569,098</b>
2.1 Irrevocable commitments		645,090	161,981	807,071	483,762	93,960	577,722
2.1.1 Forward asset purchase and sales commitments		89,541	142,805	232,346	43,730	84,587	128,317
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		-	7,988	7,988	-	-	-
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		-	-	-	-	-	-
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		555,549	11,188	566,737	440,032	9,373	449,405
2.2 Revocable commitments		635,275	1,499,860	2,135,135	449,027	542,349	991,376
2.2.1 Revocable loan granting commitments		635,275	1,499,860	2,135,135	449,027	542,349	991,376
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>1,384,454</b>	<b>4,160,389</b>	<b>5,544,843</b>	<b>421,325</b>	<b>2,832,697</b>	<b>3,254,022</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		1,384,454	4,160,389	5,544,843	421,325	2,832,697	3,254,022
3.2.1 Forward foreign currency buy/sell transactions		482,355	854,304	1,336,659	17,825	18,191	36,016
3.2.1.1 Forward foreign currency transactions-buy		384,999	280,463	665,462	5,767	12,403	18,170
3.2.1.2 Forward foreign currency transactions-sell		97,356	573,841	671,197	12,058	5,788	17,846
3.2.2 Swap transactions related to f.c. and interest rates		137,591	2,214,377	2,351,968	109,495	622,047	731,542
3.2.2.1 Foreign currency swaps-buy		91,841	411,147	502,988	33,838	93,641	127,479
3.2.2.2 Foreign currency swaps-sell		45,750	457,134	502,884	75,657	46,808	122,465
3.2.2.3 Interest rate swaps-buy		-	673,048	673,048	-	240,799	240,799
3.2.2.4 Interest rate swaps-sell		-	673,048	673,048	-	240,799	240,799
3.2.3 Foreign currency, interest rate and securities options		764,508	1,063,858	1,828,366	259,564	536,750	796,314
3.2.3.1 Foreign currency options-buy		400,124	489,686	889,810	139,602	232,459	372,061
3.2.3.2 Foreign currency options-sell		364,384	522,110	886,494	119,962	247,627	367,589
3.2.3.3 Interest rate options-buy		-	26,031	26,031	-	28,332	28,332
3.2.3.4 Interest rate options-sell		-	26,031	26,031	-	28,332	28,332
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	1,573,170	1,573,170
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	1,573,170	1,573,170
3.2.6 Other		-	27,850	27,850	34,441	82,539	116,980
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>6,614,267</b>	<b>59,560,109</b>	<b>66,174,376</b>	<b>3,899,804</b>	<b>41,488,391</b>	<b>45,388,195</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1,236,726</b>	<b>279,576</b>	<b>1,516,302</b>	<b>1,384,941</b>	<b>183,858</b>	<b>1,568,799</b>
4.1 Customers' securities held		35,294	-	35,294	33,930	122	34,052
4.2 Investment securities held in custody		306,418	271,454	577,872	296,260	183,736	479,996
4.3 Checks received for collection		-	8,122	8,122	76	-	76
4.4 Commercial notes received for collection		-	-	-	-	-	-
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		18,219	-	18,219	18,101	-	18,101
4.8 Custodians		876,795	-	876,795	1,036,574	-	1,036,574
<b>V. PLEDGED ITEMS</b>		<b>4,456,108</b>	<b>36,449,714</b>	<b>40,905,822</b>	<b>1,777,664</b>	<b>24,563,974</b>	<b>26,341,638</b>
5.1 Marketable securities		2,532	1,274,790	1,277,322	2,277	749,703	751,980
5.2 Guarantee notes		70,313	1,674,013	1,744,326	69,093	1,600,660	1,669,753
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		105,344	6,205,386	6,310,730	81,510	3,931,945	4,013,455
5.6 Other pledged items		4,277,919	27,295,525	31,573,444	1,624,784	18,281,666	19,906,450
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS</b>		<b>921,433</b>	<b>22,830,819</b>	<b>23,752,252</b>	<b>737,199</b>	<b>16,740,559</b>	<b>17,477,758</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>9,563,572</b>	<b>66,376,978</b>	<b>75,940,550</b>	<b>5,604,799</b>	<b>45,700,434</b>	<b>51,305,233</b>

The accompanying notes are an integral part of these consolidated financial statements.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

			Reviewed Current Period 1 January – 30 September 2011	Reviewed Prior Period 1 January – 30 September 2010	Reviewed Current Period 1 July – 30 September 2011	Reviewed Prior Period 1 July – 30 September 2010
	Note Ref.					
<b>I. INTEREST INCOME</b>	(1)		<b>394.011</b>	<b>349.338</b>	<b>141.739</b>	<b>120.885</b>
1.1 Interest income on loans			210.609	134.400	76.783	43.949
1.2 Interest received from reserve deposits			-	17	-	8
1.3 Interest received from banks			26.909	28.421	7.710	11.527
1.4 Interest received from money market placements			154	659	59	585
1.5 Interest received from marketable securities portfolio			154.380	182.607	56.591	63.793
1.5.1 Financial assets held for trading			4.886	7.176	1.944	3.536
1.5.2 Financial assets at fair value through profit or loss			-	-	-	-
1.5.3 Available-for-sale financial assets			124.242	148.878	47.364	51.229
1.5.4 Investments held-to-maturity			25.252	26.553	7.283	9.028
1.6 Finance lease income			1.775	2.790	534	803
1.7 Other interest income			184	444	62	220
<b>II. INTEREST EXPENSES</b>	(2)		<b>(128.374)</b>	<b>(113.781)</b>	<b>(43.792)</b>	<b>(39.022)</b>
2.1 Interest on deposits			-	-	-	-
2.2 Interest on funds borrowed			(56.438)	(37.958)	(21.831)	(13.391)
2.3 Interest on money market borrowings			(67.990)	(74.068)	(21.471)	(23.882)
2.4 Interest on securities issued			(3.922)	(1.746)	(473)	(1.746)
2.5 Other interest expenses			(24)	(9)	(17)	(3)
<b>III. NET INTEREST INCOME (I - II)</b>			<b>265.637</b>	<b>235.557</b>	<b>97.947</b>	<b>81.863</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>			<b>23.334</b>	<b>24.388</b>	<b>7.661</b>	<b>6.449</b>
4.1 Fees and commissions received			24.535	28.900	7.983	7.813
4.1.1 Non-cash loans			5.056	3.362	1.927	1.504
4.1.2 Other	(10)		19.479	25.538	6.056	6.309
4.2 Fees and commissions paid			(1.201)	(4.512)	(322)	(1.364)
4.2.1 Non-cash loans			(2)	(2)	(1)	(1)
4.2.2 Other			(1.199)	(4.510)	(321)	(1.363)
<b>V. DIVIDEND INCOME</b>			<b>5.218</b>	<b>2.599</b>	<b>-</b>	<b>31</b>
<b>VI. TRADING INCOME / LOSSES (Net)</b>	(3)		<b>(23.530)</b>	<b>9.469</b>	<b>(14.249)</b>	<b>166</b>
6.1 Securities trading gains/losses			(175)	(1.617)	313	(765)
6.2 Derivative financial instruments gains/losses			(34.732)	(606)	(34.610)	(2.070)
6.3 Foreign exchange gains/losses (net)			11.377	11.692	20.048	3.001
<b>VII. OTHER OPERATING INCOME</b>	(4)		<b>22.490</b>	<b>27.880</b>	<b>4.622</b>	<b>14.567</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>			<b>293.149</b>	<b>299.893</b>	<b>95.981</b>	<b>103.076</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(5)		<b>(31.079)</b>	<b>(19.808)</b>	<b>(19.745)</b>	<b>(12.039)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(6)		<b>(66.560)</b>	<b>(67.598)</b>	<b>(19.584)</b>	<b>(21.296)</b>
<b>XI. NET OPERATING INCOME/LOSS (VIII-IX-X)</b>			<b>195.510</b>	<b>212.487</b>	<b>56.652</b>	<b>69.741</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS INCOME RESULTED FROM MERGER</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII. PROFIT/LOSS ON EQUITY METHOD</b>			<b>19.937</b>	<b>16.824</b>	<b>9.132</b>	<b>4.353</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. PROFIT/LOSS FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>	(8)		<b>215.447</b>	<b>229.311</b>	<b>65.784</b>	<b>74.094</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(7)		<b>(44.798)</b>	<b>(46.506)</b>	<b>(14.406)</b>	<b>(15.651)</b>
16.1 Current tax charge			(38.151)	(41.102)	(12.856)	(12.583)
16.2 Deferred tax charge			(6.647)	(5.404)	(1.550)	(3.068)
<b>XVII. NET PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI)</b>			<b>170.649</b>	<b>182.805</b>	<b>51.378</b>	<b>58.443</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Income from assets held for sale			-	-	-	-
18.2 Income from sale of associates, subsidiaries and jointly controlled entities (Joint vent.)			-	-	-	-
18.3 Income on other discontinued operations			-	-	-	-
<b>XIX. LOSS ON DISCONTINUED OPERATIONS (-)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19.1 Loss on assets held for sale			-	-	-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)			-	-	-	-
19.3 Loss on other discontinued operations			-	-	-	-
<b>XX. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Current tax charge			-	-	-	-
21.2 Deferred tax charge			-	-	-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±X)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(9)		<b>170.649</b>	<b>182.805</b>	<b>51.378</b>	<b>58.443</b>
23.1 Group's profit / loss			177.775	177.727	55.485	55.594
23.2 Non-controlling interests			(7.126)	5.078	(4.107)	2.849
Earnings / (losses) per share			0,21	0,23	0,06	0,07

The accompanying notes are an integral part of these consolidated financial statements.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Reviewed Current Period 1 January – 30 September 2011	Reviewed Prior Period 1 January – 30 September 2010
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDER'S EQUITY</b>		
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(37.334)</b>	<b>16.854</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	<b>-</b>	<b>-</b>
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion of fair value differences)</b>	<b>-</b>	<b>-</b>
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>(3.119)</b>	<b>67</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>6.325</b>	<b>(3.324)</b>
<b>X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>(34.128)</b>	<b>13.597</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>170.649</b>	<b>182.805</b>
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	(596)	63
11.2 Reclassification of and recycling derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3 Recycling hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	171.245	182.742
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>136.521</b>	<b>196.402</b>

The accompanying notes are an integral part of these consolidated financial statements.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note Ref.	Paid in Capital	Effect of Inflation on Paid in Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / Loss	Prior Period Net Profit / Loss	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Reserves	Revaluation Surplus on Assets Held for sale and on Disc. Operations	Shareholders' Equity Before Non-controlling Interest	Non-Controlling Interest	Total Shareholders' Equity
<b>CHANGES IN SHAREHOLDER'S EQUITY</b>																			
I.	Prior Period – 30 September 2010																		
II.	Opening Balance	600.000	374	22	-	57.395	28.184	107.238	2.920	-	236.540	52.603	28.378	-	-	-	1.113.654	26.955	1.140.609
2.1	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (I+II)	600.000	374	22	-	57.395	28.184	107.238	2.920	-	236.540	52.603	28.378	-	-	-	1.113.654	26.955	1.140.609
IV.	Changes during the period																		
V.	Increase / Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable securities value increase fund	-	-	-	-	-	-	-	-	-	-	13.597	-	-	-	-	13.597	-	13.597
6.1	Hedging (Effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	(2.796)	-	2.796	-	-	-	-	-	-
IX.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	The effect of change in equities of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital increase	100.000	-	-	-	-	-	(15.000)	-	-	(85.000)	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	100.000	-	-	-	-	-	(15.000)	-	-	(85.000)	-	-	-	-	-	-	-	-
XVI.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	The effect of inflation on paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Other	-	-	391	-	24	-	(1.662)	-	-	(18.833)	-	-	-	-	-	(20.080)	69.132	49.052
XX.	Current period net profit/loss	-	-	-	-	-	-	-	-	177.727	-	-	-	-	-	-	177.727	5.078	182.805
20.1	Profit distribution	-	-	-	-	18.139	8.745	27.863	-	-	(88.899)	-	-	-	-	-	(34.152)	(1.258)	(35.410)
20.2	Dividends distributed	-	-	-	-	-	-	-	-	-	(34.152)	-	-	-	-	-	(34.152)	(1.258)	(35.410)
20.3	Transfers to reserves	-	-	-	-	18.139	8.745	27.863	-	-	(54.747)	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance	700.000	374	413	-	75.558	36.929	118.439	2.920	177.727	41.012	66.200	31.174	-	-	-	1.250.746	99.907	1.350.653
<b>Current Period – 30 September 2011</b>																			
I.	Opening Balance	700.000	374	413	-	75.558	36.929	118.439	2.920	-	263.779	69.019	31.174	-	-	-	1.298.605	99.916	1.398.521
II.	Increase / Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities value increase fund	-	-	-	-	-	-	-	-	-	-	(34.128)	-	-	-	-	(34.128)	-	(34.128)
IV.	Hedging (Effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The effect of change in equities of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	100.000	-	-	-	-	-	-	-	-	(100.000)	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	100.000	-	-	-	-	-	-	-	-	(100.000)	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	The effect of inflation on paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current period net profit/loss	-	-	-	-	-	-	-	-	177.775	-	-	-	-	-	-	177.775	(7.126)	170.649
XVIII.	Profit distribution	-	-	-	-	22.417	10.581	33.728	-	-	(113.925)	-	(47.199)	-	-	-	(47.199)	(982)	(48.181)
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(47.199)	-	-	-	-	-	(47.199)	(982)	(48.181)
18.2	Transfers to reserves	-	-	-	-	22.417	10.581	33.728	-	-	(66.726)	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance	800.000	374	413	-	97.975	47.510	152.167	2.920	177.775	49.854	34.891	31.174	-	-	-	1.395.053	91.808	1.486.861

The accompanying notes are an integral part of these consolidated financial statements.



**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Reviewed Current Period 30 September 2011	Reviewed Prior Period 30 September 2010
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>548.450</b>	<b>190.362</b>
1.1.1 Interest received	406.341	366.163
1.1.2 Interest paid	(134.880)	(135.169)
1.1.3 Dividends received	5.634	2.072
1.1.4 Fees and commissions received	24.535	28.828
1.1.5 Other income	26.883	31.192
1.1.6 Collections from previously written off loans and other receivables	5.778	4.935
1.1.7 Payments to personnel and service suppliers	(47.928)	(55.676)
1.1.8 Taxes paid	(40.542)	1.314
1.1.9 Others	302.629	(53.297)
<b>1.2 Changes in operating assets and liabilities</b>	<b>(405.346)</b>	<b>(273.538)</b>
1.2.1 Net (increase) decrease in financial assets held for trading	(25.970)	(62.071)
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 and other financial institutions	-	(2.295)
1.2.4 Net (increase) decrease in loans	(732.305)	(346.561)
1.2.5 Net (increase) decrease in other assets	(193.709)	(71.146)
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	392.768	382.780
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	153.870	(174.245)
<b>I. Net cash provided from banking operations</b>	<b>143.104</b>	<b>(83.176)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash provided from investing activities</b>	<b>(46.665)</b>	<b>39.541</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(1.030)	(222)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	392	15.098
2.3 Purchases of tangible assets	(1.144)	(591)
2.4 Sales of tangible assets	10.674	5.140
2.5 Cash paid for purchase of financial assets available for sale	(236.261)	25.055
2.6 Cash obtained from sale of financial assets available for sale	926	-
2.7 Cash paid for purchase of investments held to maturity	(2.891)	(7.852)
2.8 Cash obtained from sale of investments held to maturity (*)	182.973	3.138
2.9 Others	(304)	(225)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash provided from financing activities</b>	<b>(238.922)</b>	<b>163.014</b>
3.1 Cash obtained from funds borrowed and securities issued	-	198.424
3.2 Cash used for repayment of funds borrowed and securities issued	(190.744)	-
3.3 Equity instruments issued	-	-
3.4 Dividends paid	(48.178)	(35.410)
3.5 Payments for finance leases	-	-
3.6 Other	-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>19.875</b>	<b>1.183</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>	<b>(122.608)</b>	<b>120.562</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>564.646</b>	<b>364.219</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>442.038</b>	<b>484.781</b>

(\*) TL 177.795 of the amount comprises redemption of held to maturity investments on 11 May 2011 and on 3 August 2011 of the Parent Bank.

The accompanying notes are an integral part of these consolidated financial statements.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION THREE**

**ACCOUNTING POLICIES**

**I. Basis of presentation**

**I.a Presentation of consolidated financial statements**

As prescribed in the Article 37 of the Banking Act No. 5411, banks shall, in line with the principles and procedures to be established by the Banking Regulation and Supervision Agency (“BRSA”) upon consulting the associations of financial institutions and the Turkish Accounting Standards Board taking into consideration international standards, ensure uniformity in their accounting systems; correctly record all their transactions; and timely and accurately prepare their financial reports in a style and format that will meet disclosure requirements, clearly reliable and comparable, and suitable for auditing, analysis and interpretation.

The Parent Bank prepares its financial statements and underlying documents according to Communiqué on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, other communiqués, pronouncements and explanations about accounting and financial reporting issued by the Banking Regulation and Supervision Agency, the Turkish Commercial Code and the Tax Legislation.

Amounts in the financial statements, the underlying explanations and disclosures are expressed in Thousands of Turkish Lira unless otherwise stated.

**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 and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**I.b The valuation principles used in the preparation of the consolidated financial statements**

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the related regulations, announcements and decrees of Turkish Accounting Standards and Banking Regulation and Supervision Agency. These accounting policies and valuation principles are explained in the below notes through II to XXIV.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**II. Explanations on usage strategy of financial assets and foreign currency transactions**

The main sources of the funds of the Group have variable interest rates. The financial balances are monitored frequently and constant and variable interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the Parent Bank have the flexibility of reflecting the changes in market interest rates to customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The Group liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors' expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Parent Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. When taking positions, the Bank's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

The Group's strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency available for sale securities:

A great majority of foreign currency available for sale securities are financed with foreign currency resources. Accordingly, the expected depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of cross currency rates.

To mitigate the interest rate risk, a balanced asset composition is established in compliance with the structure of fixed and variable rate funding resources.

The hedging strategies for other foreign exchange risk exposures:

A stable foreign exchange position strategy is implemented: To be secured from cross currency risk, the current foreign exchange position is taken by considering a specific basket of foreign currencies.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**III. Information about the Parent Bank and its subsidiaries and associates subject to consolidation**

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., TSKB Yatırım Ortaklığı A.Ş. are included in the accompanying consolidated financial statements by line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Factoring Finansman Hizmetleri A.Ş. are included in the accompanying consolidated financial statements by equity method. Financial institutions included in the consolidation are determined in accordance with “Communiqué on Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated 8 November 2006 numbered 26340. The Parent Bank and the entities included in the consolidation are referred to as “the Group” in this report.

The financial statements of the subsidiaries and associates, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in the Turkish Commercial Code and/or Financial Leasing Law and communiqués of the Capital Markets Board of Turkey (“CMB”), are duly adjusted in order to present their financial statements in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the principle of materiality. The financial statements of the subsidiaries are prepared as of 30 September 2011.

The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

**TSKB Yatırım Ortaklığı A.Ş.:**

The Company was established under the title of Sınai Yatırım Bankası Yatırım Ortaklığı A.Ş. on 10 November 2000. The Company’s title, Sınai Yatırım Bankası Yatırım Ortaklığı A.Ş., was changed into TSKB Yatırım Ortaklığı A.Ş. on 17 April 2003 since its parent Sınai Yatırım Bankası A.Ş. ceased to operate and merged with Türkiye Sınai Kalkınma Bankası A.Ş. The title change was published in the Turkish Trade Registry Gazette No: 5784 on 24 April 2003. The Company’s headquarters is in Istanbul.

The purpose of TSKB Yatırım Ortaklığı A.Ş. is to manage capital market instruments and gold or other precious metal portfolios in the local or international markets or over-the-counter markets, without having the control or significant effect over/on management and capital of the investees, under the principles and guidelines specified by the related legislation.

TSKB Yatırım Ortaklığı A.Ş. and Yatırım Finansman Yatırım Ortaklığı A.Ş. merged under TSKB Yatırım Ortaklığı A.Ş. on 25 June 2009 according to prior approval of the Capital Market Board on 13 May 2009 and resolution of the Extraordinary General Assembly, by ceasing all rights, receivables, liabilities and legal jurisdiction of Yatırım Finansman Yatırım Ortaklığı A.Ş..

**Yatırım Finansman Menkul Değerler A.Ş.:**

Yatırım Finansman Menkul Değerler A.Ş. was established with the title of Yatırım Finansman A.Ş. and registered in Istanbul Trade Registry on 15 October 1976 and it was announced in the Turkish Trade Registry Gazette No: 81 on 25 October 1976. Title of the Company was changed into Yatırım Finansman Menkul Değerler A.Ş. by the announcement made in the Turkish Trade Registry Gazette No: 4762 on 2 April 1999. The Company’s purpose is to perform capital market operations specified in the Company’s main contract in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**III. Information about the Parent Bank and its subsidiaries subject to consolidation (continued)**

**TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.:**

Core business of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The Company was established on 3 February 2006.

**İş Finansal Kiralama A.Ş.:**

İş Finansal Kiralama A.Ş. was established on 8 February 1988 and it has been performing its operations in accordance with the Financial Leasing Law No: 3226. The Company started its leasing operations in July 1988. The Company's headquarters is located at İş Kuleleri, Kule: 2 Kat:10 34330 Levent-Istanbul/Türkiye.

**İş Factoring Finansman Hizmetleri A.Ş.:**

İş Factoring Finansman Hizmetleri A.Ş., was incorporated in Turkey on 4 July 1993 and started its operations in October 1993. The Company's main operation is domestic and export factoring transactions. The Company is a Türkiye İş Bankası A.Ş. Group entity and the parent is İş Finansal Kiralama A.Ş. with 78,23% shareholding. The direct share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%.

**İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.:**

The principal business of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. is to make long-term investments in companies existing in Turkey or to be established in Turkey, having a development potential and are in need of financing. The Company is continuing its operations at İş Kuleleri Kule: 2, Kat: 8, Levent, Istanbul.

**IV. Explanations on forward and option contracts and derivative instruments**

The Parent Bank is exposed to significant financial risk originating from the changes in the interest and foreign exchange rates as part of its normal operations. The Parent Bank exercises derivative financial instruments to manage these interest and foreign exchange financial risks.

The Group generally exercises foreign currency forward, swap, futures and option agreements.

The derivative instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Some of the derivative instruments, although economic hedges, are accounted for as trading transactions since they are not qualified to be hedging instruments as per "Financial Instruments: Recognition and Measurement" ("TAS 39"). Realized gains or losses are reflected in the income statement on these derivative instruments.

According to Capital Markets Board legislation, Intermediary Institution warrants are capital market instruments that give the holder the right, but not the obligation, to buy or to sell an underlying asset at a specified price on or before a predetermined date where such right is exercised by registered deliver or cash settlement and these warrants are called securitized derivative transactions. In this context, the Bank that issued warrants on foreign currencies, has accounted the costs of issued warrant on liabilities. Warrants are valued on a daily basis over the market value created by the market maker and valuation differences are recorded in the income statement. On withdrawal of the issued warrants, the balance is netted-off with the cost on the balance sheet and gain/losses are associated with the income statement. On the other hand, issued warrant is recorded on the statement of off-balance sheet with its nominal value.



**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**V. Explanations on interest income and expenses**

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value).

In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

**VI. Explanations on fees and commission income and expenses**

Fees and commissions received from cash loans, that are not an integral part of the effective interest rate, and fees for various banking services are recorded as income when collected. Fees and commissions paid for the funds borrowed, which are not integral parts of the effective interest rate of the funds borrowed, are recorded as expense on the date of the payment. All other income and expenses, fee and commission income and expenses, including commissions received from non-cash loans are recorded on an accrual basis.

**VII. Explanations on financial assets**

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments constitute the both of the Group's trading activities and operations. Risks related with these instruments constitutes majority of total risks. Financial instruments affect liquidity, market, and credit risks on the Group's balance sheet in all respects. The Group trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities and operations of the Group. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Settlement date accounting requires (a) accounting of the asset when acquired by the institution, and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the entity settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Fair value differences are not accounted for assets presented at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the income statement, gain or loss of available for sale assets are accounted for under the shareholders' equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are explained below.

*Cash, Banks and Other Financial Institutions:*

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book values of these assets approximate their fair values.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

*Marketable Securities:*

The Group classifies its marketable securities in three groups:

Financial assets at fair value through profit and loss: These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale or buying back in a near future. (ii) The financial assets classified at inception as financial assets at fair value through profit or loss by the Group. The Group uses such classification above when permitted or for the purposes of providing a more proper disclosure.

In this category, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of securities that are traded in an active market are determined based on quoted prices or current market prices.

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.

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability. This portfolio excludes loans and receivables. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income in the income statement.

Available for sale financial assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income. After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Value Increase Fund” under the equity. All unquoted available for sale stocks are recorded by considering impairment, since respective fair values cannot be reliably measured. At the disposal of available for sale financial assets, value increases/decreases that are recorded in the securities value increase fund under equity are transferred to income statement

*Loans:*

Loans are financial assets which have fixed payment terms and are not traded.

Loans are initially recognized at cost and measured at amortized cost by using effective interest rate. The duties, charges and other expenses paid for the collaterals obtained against loans are accepted as transaction costs and reflected to customers.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

Turkish Lira (“TL”) cash loans are composed of foreign currency indexed loans, loans for marketable securities purchased by customers, and working capital loans; foreign currency (“FC”) cash loans are composed of investment loans, export financing loans and working capital loans.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement as well as their classification to non-performing loans as per the related regulations. The collections made related to loans including those on non-performing loans for which provision is made in the current period are recorded in “Provision for Loans and Other Receivables” and “Interest Received from Non-performing Loans” account.

Releases of loan loss provisions are recorded by reversing the provisions booked during the year and the collections made related to loan losses previously accounted for are recorded to collections related to the prior period expenses.

**VIII. Explanations on impairment of financial assets**

At each reporting date, the Group evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Group determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (“loss event”) after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not recognized.

Loans are classified and followed in line with the provisions of the “Regulation on Identification of Loans and Other Receivables and Provisioning against Them”, published on the Official Gazette No: 26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the “Provision Expenses” account and the released parts of the provisions from the previous years are transferred to and recognized in the “Other Operating Income” account.

Other than specific provision, the Parent Bank provides “general provision” for loans and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Parent Bank was providing 0,5% general provision for cash loans and other receivables; 0,1% general provision for non-cash loans until 1 November 2006. With the changes in the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006, the Parent Bank started to provide general provision as follows: after 31 October 2006, if standard cash loans and other receivables increased; for the increased part, the provision is 1%; for the account of 31 October 2006 it is 0,5%; after 31 October 2006, if there is an increase in non-cash loans, for the increased part it is 0,2%; and for the account of 31 October 2006 it is 0,1%.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on impairment of financial assets (continued)**

Subsequent to the change in the regulation on “Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 27947 dated 28 May 2011; in case of the extension of the payment plan of the loans which are followed under loans and receivables, the general loan loss provision ratio for standard and for the first group loans and receivables should not be less than 5% and for the second group loans and receivables should not be less than 2,5%.

As a consequence of the regulation published in Official Gazette No. 27968 dated 18 June 2011 amending the “Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, for the banks, of which the consumer loans exceed 20% of total loans, general loan loss provision ratio is 4% for consumer loans which are followed under standard loans and receivables except car and housing loans; and is 8% for the loans under close monitoring except car and housing loans. Since the consumer loans of the Parent Bank are composed of personnel loans as of 30 September 2011 and do not exceed the ratios mentioned above, additional general loan loss provision has not been calculated.

**IX. Explanations on offsetting of financial assets and liabilities**

Financial assets and liabilities are offset when the Group has a legally enforceable right to set off, and when the Group has the intention of collecting or paying the net amount of related assets and liabilities or when the Group has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

**X. Explanations on sales and repurchase agreements and lending of securities**

Funds provided under repurchase agreements are accounted under “Funds Provided under Repurchase Agreements-TL” and “Funds Provided under Repurchase Agreements-FC” accounts.

The repurchase agreements of the Group are based on the short-term Eurobonds issued by Republic of Turkey Undersecretariat of Treasury and government bonds. In the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement.

Receivables from reverse repurchase agreements are recorded in “Receivables from Reverse Repurchase Agreements” account in the balance sheet.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XI. Explanations on assets held for sale and discontinued operations**

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for 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. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low. Various circumstances and conditions could extend the completion period of the sale more than one 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 division that is either disposed or held for sale. Results of discontinued operations are included separately in the income statement.

**XII. Explanations on goodwill and other intangible assets**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 3-15 years.



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIII. Explanations on tangible assets**

Tangible assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair expenditures are expensed.

There is no pledge, mortgage or any other lien on tangible assets.

Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards

Depreciation rates and estimated useful lives of tangible assets are as follows:

<b>Tangible Assets</b>	<b>Expected Useful Lives (Years)</b>	<b>Depreciation Rate (%)</b>
Buildings	50	2
Cashboxes	2-50	2-50
Vehicles	5	20
Other Tangible Assets	2-25	4-50

**XIV. Explanations on investment property**

**i) Operating investment property**

Operating investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognized when it is probable that the future economic benefits that are associated with them will flow to the Group and the cost of them can be measured reliably. Fair value model was chosen in the measurement of the investment properties. Gains and losses arising from changes in the fair values of investment properties are recognized in profit or loss for the period in which it arises.

**ii) Investment property under construction**

Investment properties under construction are those which are held either to earn rental income or for capital appreciation or for both, in the future. When the fair values of such properties cannot be determined reliably until the construction is completed, the Group accounts for such investment property under construction using the cost model until the date the construction is completed. All costs directly associated with the purchase and construction of an investment property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalized. Borrowing costs are capitalized if they are directly attributable to the investment property under construction. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XV. Explanations on leasing transactions**

*The Group as Lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

*The Group as Lessee*

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Group's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

**XVI. Explanations on provisions and contingent assets and liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Group's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements, but on the other hand, if the inflow of the economic benefits of these assets to the Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Bank is almost certain, the related asset and the respective income are shown in the financial statements of the period in which the change occurred.

**XVII. Explanations on liabilities regarding employee benefits**

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. In retirement and involuntarily leaving, the Group records the present value of the defined benefit obligation. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Employees of the Parent Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal installments in maximum 15 years.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVII. Explanations on liabilities regarding employee benefits (continued)**

Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 31 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to two-year extension was published in the Official Gazette dated 9 April 2011. Accordingly, the three-year period, expired on 8 May 2011, has been extended to 8 May 2013 by the resolution of the Council of Ministers. The principles and practices will be determined in the forthcoming Council of Ministers Decree.

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

The Main Opposition Party has appealed to the Constitutional Court on 19 June 2008 for cancellation of some articles, including the first paragraph of 20. Temporary article of the Law, and requested them to be ineffective until the case of revocatory action is finalized. The application of the Main Opposition Party was rejected by the Higher Court with the resolution dated 30 March 2011.

Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2010 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 2 February 2011, the liabilities, subject to the transfer to the Social Security Institution, are financed by the assets of the Pension Fund.

In addition, the Parent Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Parent Bank.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVIII. Explanations on taxation**

The income tax charge is composed of the sum of current tax and deferred tax.

The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted by the reporting date.

Deferred tax asset or liability 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 is accounting 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. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset.

According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

Banks in Bahrain are not subject to tax according to the regulations of that country.

***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.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIX. Additional explanations on borrowings**

Borrowings are recognized at initial cost on transaction date and carried at amortized cost using effective interest method. In the accompanying financial statements, foreign currency debt instruments are valued using foreign exchange rates of the Bank as of the period end and interest expense amounts of related period arising from borrowings are reflected in the financial statements.

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement at the period they are incurred.

**XX. Explanations on debt securities issued**

In the current period, the Parent Bank's share capital has increased by TL 100.000. In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 700.000 to TL 800.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 100.000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 15 April 2011. It has not been published in the Turkish Trade Registry Gazette as of the report date. and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

In the prior period, the Parent Bank's share capital has increased by TL 100.000. In the meeting of the General Assembly held on 25 March 2010, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 600.000 to TL 700.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 85.000 of this increase will be incorporated from the profit of the year 2009 and TL 15.000 from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 27 April 2010 and has been published in the Turkish Trade Registry Gazette No: 7576 on 2 June 2010.

**XXI. Explanations on acceptances**

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

**XXII. Explanations on government incentives**

The Parent Bank does not use government incentives.

**XXIII. Explanations on segment reporting**

In accordance with its mission, the Parent Bank mainly operates in investment and corporate banking segments.

Corporate Marketing Management operations are included in the corporate banking. The corporate banking is serving financial solutions and banking services for its large-scale corporate customers. Among the services given to corporate customers are; TL and foreign exchange operating loans, investment credits, project financing, letters of credit and letters of guarantees.

The activities of investment banking are; the operations of Treasury, Corporate Finance, Research, Financial Institutions and Marketable Securities and Portfolio Management departments. Under the investment banking activities, portfolio management for corporate and individual customers, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided. Information about consolidated associates and subsidiaries for segment reporting is shown as "Other".



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on segment reporting (continued)**

The segmental allocation of the Group's net profit, total assets and total liabilities are shown below:

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	157.380	108.301	(44)	265.637
Net Fees and Commission Income	4.603	3.335	15.396	23.334
Other Income	10.704	37	64.302	75.043
Other Expense	(45.816)	(25.452)	(77.299)	(148.567)
Profit Before Tax	126.871	86.221	2.355	215.447
Tax Provision				(44.798)
<b>Net Profit</b>				<b>170.649</b>
Group's profit / loss				177.775
Non-controlling interest				(7.126)
<b>Current Period</b>				
Segment Assets	5.973.781	3.220.190	436.145	9.630.116
Investment in Associates and Subsidiaries	-	-	191.375	191.375
<b>Total Assets</b>	<b>5.973.781</b>	<b>3.220.190</b>	<b>627.520</b>	<b>9.821.491</b>
Segment Liabilities	6.084.524	1.947.846	302.260	8.334.630
Shareholder's Equity	-	-	1.486.861	1.486.861
<b>Total Liabilities</b>	<b>6.084.524</b>	<b>1.947.846</b>	<b>1.789.121</b>	<b>9.821.491</b>

<b>Prior Period (*)</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	111.792	123.765	-	235.557
Net Fees and Commission Income	3.422	20.195	771	24.388
Other Income	14.991	16.989	27.074	59.054
Other Expense	(26.871)	(48.868)	(13.949)	(89.688)
Profit Before Tax	103.334	112.081	13.896	229.311
Tax Provision				(46.506)
<b>Net Profit</b>				<b>182.805</b>
Group's profit / loss				177.727
Non-controlling interest				5.078
<b>Prior Period (**)</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	4.697.038	3.187.296	303.330	8.187.664
Investment in Associates and Subsidiaries	-	-	174.896	174.896
<b>Total Assets</b>	<b>4.697.038</b>	<b>3.187.296</b>	<b>478.226</b>	<b>8.362.560</b>
Segment Liabilities	4.740.387	2.028.779	194.873	6.964.039
Shareholder's Equity	-	-	1.398.521	1.398.521
<b>Total Liabilities</b>	<b>4.740.387</b>	<b>2.028.779</b>	<b>1.593.394</b>	<b>8.362.560</b>

(\*) The information is related to 30 September 2010.

(\*\*) The information is related to 31 December 2010.

**XXIV. Explanations on other matters**

None.

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**SECTION FOUR**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE**

**I. Explanations related to the consolidated capital adequacy standard ratio**

The capital adequacy ratio of the Group is 17,63% as at 30 September 2011 (31 December 2010: 21,62%). Related to the calculation of the capital adequacy ratio, the risk weighted assets, the obligations, non-cash loans are classified according to the collateral groups and evaluated within the particular risk group.

**Information related to the capital adequacy ratio:**

Amounts Subject to Credit Risk	Risk Weight (*)						
	Parent Bank						
	0%	10%	20%	50%	100%	150%	200%
<b>Balance Sheet items (Net)</b>	<b>223.939</b>	-	<b>472.204</b>	<b>1.201.057</b>	<b>4.758.216</b>	<b>16</b>	<b>9</b>
Cash	259	-	-	-	-	-	-
Matured Marketable Securities	-	-	-	-	-	-	-
Due From Central Bank of Turkey	4.335	-	-	-	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	-	21.307	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	-	-	-	-	-	-	-
Reserve Deposits	88.187	-	-	-	-	-	-
Loans	-	-	368.679	1.084.833	4.201.256	16	9
Non-performing Loans (Net)	-	-	-	-	-	-	-
Financial Lease Receivables	-	-	7.487	6.551	26.955	-	-
Available-for-Sale Financial Assets	-	-	-	-	-	-	-
Held to Maturity Investments	95.787	-	-	-	-	-	-
Receivables from Installment Sales of Assets	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	67.397	-	707	-	-
Interest and Income Accruals	20.602	-	7.334	109.673	262.002	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) (Net)	-	-	-	-	242.758	-	-
Tangible Assets	-	-	-	-	8.445	-	-
Other Assets	14.769	-	-	-	16.093	-	-
<b>Off-Balance Sheet Items</b>	<b>14.401</b>	-	<b>217.803</b>	<b>75.150</b>	<b>883.718</b>	-	-
Guarantees and Commitments	14.401	-	162.452	75.150	858.905	-	-
Derivative Financial Instruments	-	-	55.351	-	24.813	-	-
<b>Non Risk Weighted Accounts</b>	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>238.340</b>	-	<b>690.007</b>	<b>1.276.207</b>	<b>5.641.934</b>	<b>16</b>	<b>9</b>

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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to the consolidated capital adequacy standard ratio (continued)**

Amounts Subject to Credit Risk	Risk Weight (*)						
	Consolidated						
	0%	10%	20%	50%	100%	150%	200%
<b>Balance Sheet items (Net)</b>	<b>283.663</b>	-	<b>847.572</b>	<b>1.086.250</b>	<b>4.840.973</b>	<b>16</b>	<b>9</b>
Cash	327	-	-	-	-	-	-
Matured Marketable Securities	-	-	-	-	-	-	-
Due From Central Bank of Turkey	4.335	-	-	-	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	-	396.057	-	-	-	-
Interbank Money Market Placements	41.209	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	2.370	-	-	-	-	-	-
Reserve Deposits	88.187	-	-	-	-	-	-
Loans	-	-	368.679	995.803	4.215.817	16	9
Non-performing Loans (Net)	-	-	-	-	-	-	-
Financial Lease Receivables	-	-	7.487	6.551	26.955	-	-
Available-for-Sale Financial Assets	-	-	-	-	-	-	-
Held to Maturity Investments	95.787	-	-	-	-	-	-
Receivables from Installment Sales of Assets	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	67.397	-	84.188	-	-
Interest and Income Accruals	20.604	-	7.952	83.896	262.002	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) (Net)	-	-	-	-	1.943	-	-
Tangible Assets	-	-	-	-	232.979	-	-
Other Assets	30.844	-	-	-	17.089	-	-
<b>Off-Balance Sheet Items</b>	<b>14.401</b>	-	<b>223.546</b>	<b>75.150</b>	<b>1.086.685</b>	-	-
Guarantees and Commitments	14.401	-	162.452	75.150	1.063.167	-	-
Derivative Financial Instruments	-	-	61.094	-	23.518	-	-
<b>Non Risk Weighted Accounts</b>	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>298.064</b>	-	<b>1.071.118</b>	<b>1.161.400</b>	<b>5.927.658</b>	<b>16</b>	<b>9</b>

(\*) The Group has no assets and liabilities for risk weights 10%.

**Summary information related to the capital adequacy ratio:**

	Parent Bank	Consolidated	Parent Bank	Consolidated
	Current Period	Current Period	Prior Period	Prior Period
Total Risk Weighted Assets (TRWA)	6.418.081	6.722.624	4.836.490	4.889.346
Amount Subject to Market Risk (ASMR)	634.825	758.013	551.125	652.375
Amount Subject to Operational Risk (ASOR)	533.236	590.624	411.926	436.557
Shareholders' Equity	1.443.993	1.423.254	1.318.425	1.292.292
Shareholders' Equity / (TRWA + ASMR + ASOR) *100	<b>19,03</b>	<b>17,63</b>	<b>22,73</b>	<b>21,62</b>

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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to the consolidated capital adequacy standard ratio (continued)**

**Information related to the components of shareholders' equity:**

	Parent Bank	Consolidated	Parent Bank	Consolidated
	Current Period	Current Period	Prior Period	Prior Period
<b>CORE CAPITAL</b>				
Paid-in Capital	800.000	800.000	700.000	700.000
Nominal Capital	800.000	800.000	700.000	700.000
Capital Commitments (-)	-	-	-	-
Inflation Adjustment to Share Capital	374	374	374	374
Share Premium	-	413	-	413
Share Cancellation Profits	-	-	-	-
Legal Reserves	95.361	97.975	73.559	75.558
First Legal Reserve (Turkish Commercial Code 466/1)	47.510	49.750	36.928	38.583
Second Legal Reserve (Turkish Commercial Code 466/2)	47.851	48.174	36.631	36.924
Other Legal Reserve per Special Legislation	-	51	-	51
Status Reserves	47.510	47.510	36.929	36.929
Extraordinary Reserves	143.295	155.087	111.248	121.359
Reserves Allocated by the General Assembly	140.375	152.167	108.328	118.439
Retained Earnings	2.920	2.920	2.920	2.920
Accumulated Losses	-	-	-	-
Foreign Currency Share Capital Exchange	-	-	-	-
Inflation Adjustment on Legal Reserves, Statutory Reserves and Extraordinary Reserves	-	-	-	-
Profit	183.006	227.629	211.629	263.779
Current Period Profit	183.006	177.775	211.629	222.669
Prior Years' Profits	-	49.854	-	41.110
Provisions for Possible Losses up to 25% of Core Capital	-	-	-	-
Gains on Sale of Associates and Subsidiaries and Properties to be Added to Capital	31.174	31.174	31.174	31.174
Primary Subordinated Loans up to 15% of the Core Capital	-	-	-	-
Non-Controlling Interest	-	91.808	-	99.916
Losses that cannot be Covered by Reserves (-)	-	-	-	-
Net Current Period Loss	-	-	-	-
Prior Years' Losses	-	-	-	-
Leasehold Improvements (-)	(245)	(558)	(313)	(717)
Prepaid Expenses (-) (*)	-	-	(5.779)	(5.875)
Intangible Assets (-)	(430)	(869)	(414)	(854)
Deferred Tax Asset Exceeding 10% of the Core Capital	-	-	-	-
Excess Amount as per the Article 56, Clause 3 of the Banking Law	-	-	-	-
Goodwill (Net) (-)	-	(1.005)	-	(1.005)
<b>Total Core Capital</b>	<b>1.300.045</b>	<b>1.449.538</b>	<b>1.158.407</b>	<b>1.321.051</b>

(\*) According to the "Regulation on the Amendment of the Regulation Pertaining to the Equity Capital of Banks" published in the Official Gazette numbered 27870 dated 10 March 2011, prepaid expenses are excluded from shareholders' equity calculation and included in calculation of credit risk.

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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to the consolidated capital adequacy standard ratio (continued)**

**Information related to the components of shareholders' equity (continued)**

	Current Period		Prior Period	
	Parent Bank	Consolidated	Parent Bank	Consolidated
<b>SUPPLEMENTARY CAPITAL</b>				
General Loan Loss Provisions	61.570	55.395	45.084	43.539
45% of the Revaluation Reserve for Movable Fixed Assets	-	-	-	-
45% of the of Revaluation Reserve for Properties	-	-	-	-
Bonus Shares Obtained from Associates, Subsidiaries and Entities Under Common Control	-	-	-	-
Primary Subordinated Loans Excluded in the Calculation of the Core Capital	-	-	-	-
Secondary Subordinated Loans	92.500	92.500	77.500	77.500
45% of the Marketable Securities Value Increase Fund (*)	(9.674)	15.701	44.691	31.059
Associates and Subsidiaries	(22.679)	1.179	16.224	2.234
Available for Sale Securities	13.005	14.522	28.467	28.825
Indexation Differences for Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-	-	-
Total Supplementary Capital	144.396	163.596	167.275	152.098
<b>TIER III CAPITAL</b>				
<b>CAPITAL</b>	<b>1.444.441</b>	<b>1.613.134</b>	<b>1.325.682</b>	<b>1.473.149</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(448)</b>	<b>(189.880)</b>	<b>(7.257)</b>	<b>(180.857)</b>
Shareholdings in Non-consolidated Banks and Financial Institutions	-	-	-	-
Loans Extended to Banks, Financial Institutions (Domestic and Abroad) and Qualified Shareholders, Like Secondary Subordinated Loan and Debt Instruments Purchased from These Institutions Issued, Like Primary and Secondary Subordinated Loan	-	-	-	-
Banks and Financial Institutions to which are Accounted for Under Equity Method, but, are not Consolidated	-	(189.432)	-	(173.600)
Loans Extended Being Non-compliant with Articles 50 and 51 of the Law	-	-	-	-
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired in Exchange of Loans and Receivables According to the Article 57 of the Banking Law and have not been Disposed yet After 5 Years After Foreclosure	(448)	(448)	(7.257)	(7.257)
Other	-	-	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1.443.993</b>	<b>1.423.254</b>	<b>1.318.425</b>	<b>1.292.292</b>

(\*) 45% of marketable securities value increase fund is included in computation if marketable securities value increase fund is positive, 100% is included if negative.



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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to the consolidated market risk**

In order to avoid the market risk and restrict the risks carried, the Board of Directors determines the limits on market risk. Risk, nominal and proportional limitation systems are used and the related reports are presented to Board of Directors, relevant committees and top management.

The guidelines prepared by Risk Management Group that is composed of Risk Management Directorate and Risk Management Committee regarding organization, responsibility and operations are approved by the Board of Directors. Risk management policies are determined and announced throughout the Parent Bank.

The standard method is used to calculate the consolidated and consolidated market risk. In addition to the standard method, the Parent Bank applies parametric and historical simulation models to securities portfolio, foreign currency position on a daily or monthly basis to detect the market risks. The success of these models is tested retrospectively. The Parent Bank also makes VaR calculations, scenario analyses and stress tests to detect the risks not caught by using internal models. Market risk is measured on a daily basis and reported to top management, Audit Committee and the Board of Directors weekly and monthly.

The market risk table is as follows:

	<b>Amount</b>
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	32.250
Resulting from Financial Instruments related to Interest Income	28.001
Resulting from Positions in Share Certificates, Investment Fund and Participation Certificates	4.249
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	15.547
Resulting from Financial Instruments related to Interest Income	11.298
Resulting from Positions in Share Certificates, Investment Fund and Participation Certificates	4.249
III) Capital Requirement to be Employed for Currency Risk - Standard Method	12.844
Capital Requirement	12.821
Capital Requirement Calculated for Options Subject to Foreign Currency Risk	23
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting From Options - Standard Method	-
(VII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-
(VIII) Total Capital Requirement to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	60.641
<b>(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)</b>	<b>758.013</b>

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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**III. Explanations related to the consolidated currency risk**

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on a weekly and monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Parent Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

The Parent Bank has no hedging transactions through derivative instruments for its foreign currency borrowings and net foreign currency investments.

Announced current foreign exchange buying rates of the Parent Bank as at reporting date and the previous five working days in USD, EURO and YEN are as follows:

	1 USD	1 EURO	1 YEN
<b>A. Bank "Foreign Exchange Valuation Rate"</b>			
30 September 2011	1,8500	2,5075	0,0242
<b>Prior Five Workdays:</b>			
29 September 2011	1,8550	2,5256	0,0242
28 September 2011	1,8430	2,4999	0,0241
27 September 2011	1,8380	2,4870	0,0241
26 September 2011	1,8400	2,4674	0,0241
23 September 2011	1,8300	2,4676	0,0240

Simple arithmetic thirty-day averages of the USD, EURO and YEN buying rates of the Parent Bank before the reporting date are TL 1,7839, 2,4612 and TL 0,0232; respectively.

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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**III. Explanations related to the consolidated currency risk (continued)**

**Information on the Group's consolidated foreign currency risk: foreign currencies**

	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>Other FC</b>	<b>Total</b>
<b>Current Period</b>					
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	90.919	79	-	6	91.004
Banks	2.651	375.957	334	656	379.598
Financial Assets at Fair Value Through Profit and Loss (*)	28.188	11.726	-	-	39.914
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	71.585	531.469	-	-	603.054
Loans (**)	2.648.177	3.142.580	211	-	5.790.968
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	2	2
Intangible Assets	-	-	-	-	-
Other Assets (***)	35.035	79.984	-	6	115.025
<b>Total Assets</b>	<b>2.876.555</b>	<b>4.141.795</b>	<b>545</b>	<b>670</b>	<b>7.019.565</b>
<b>Liabilities</b>					
Bank Deposits	-	-	-	-	-
Foreign Currency Deposits	-	-	-	-	-
Money Market Borrowings	48.034	162.760	-	292	211.086
Funds Provided From Other Financial Institutions	3.099.445	3.375.489	-	-	6.474.934
Marketable Securities Issued	-	-	-	-	-
Miscellaneous Payables	2.423	27.332	-	192	29.947
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	29.407	20.161	-	349	49.917
<b>Total Liabilities</b>	<b>3.179.309</b>	<b>3.585.742</b>	<b>-</b>	<b>833</b>	<b>6.765.884</b>
<b>Net Balance Sheet Position</b>	<b>(302.754)</b>	<b>556.053</b>	<b>545</b>	<b>(163)</b>	<b>253.681</b>
<b>Net Off-Balance Sheet Position</b>	<b>176.615</b>	<b>(570.516)</b>	<b>(657)</b>	<b>1.301</b>	<b>(393.257)</b>
Financial Derivative Assets	820.282	420.382	-	1.301	1.241.965
Financial Derivative Liabilities	(643.667)	(990.898)	(657)	-	(1.635.222)
Non-Cash Loans (*****)	284.652	709.987	-	-	994.639
<b>Prior Period</b>					
Total Assets	2.373.460	2.701.169	3.180	1.373	5.079.182
Total Liabilities	2.453.642	2.789.489	-	1.012	5.244.143
<b>Net Balance Sheet Position</b>	<b>(80.182)</b>	<b>(88.320)</b>	<b>3.180</b>	<b>361</b>	<b>(164.961)</b>
<b>Net Off –Balance Sheet Position</b>	<b>(9.509)</b>	<b>89.739</b>	<b>(3.611)</b>	<b>-</b>	<b>76.619</b>
Financial Derivative Assets	125.430	265.787	8.749	-	399.966
Financial Derivative Liabilities	(134.939)	(176.048)	(12.360)	-	(323.347)
Non-Cash Loans (*****)	138.580	604.457	-	-	743.037

(\*) Exchange rate differences arising from derivative transactions amounting to TL 2.589 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(\*\*) Loans extended include TL 1.596.544 foreign currency indexed loans.

(\*\*\*) Prepaid expenses amounting to TL 8.639 have not been included in "Other Assets".

(\*\*\*\*) Marketable securities valuation increase fund amounting to TL 21.826 and exchange rate differences arising from derivative transactions amounting to TL 12.138 have not been included in "Other Liabilities". Borrower funds amounting TL 8.122 based on foreign currencies have been included in "Other Liabilities".

(\*\*\*\*\*) Has no effect on net off-balance sheet position.

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to the consolidated interest rate risk**

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Parent Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Parent Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyzes. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Parent Bank. As the Parent Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Parent Bank screens many risk control ratio including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, Board of Directors and Audit Committee are informed of these risks.

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**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to the consolidated interest rate risk (continued)**

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates)**

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-interest bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	92.849	92.849
Banks	334.648	36.915	-	-	-	25.112	396.675
Financial Assets at Fair Value Through Profit and Loss	19.406	20.941	41.661	98.259	2.795	19.523	202.585
Money Market Placements	43.581	-	-	-	-	-	43.581
Available-for-Sale Financial Assets	703.276	285.664	462.758	602.522	283.188	30.703	2.368.111
Loans	747.584	2.642.277	2.126.880	333.903	67.583	14.561	5.932.788
Held-to-Maturity Investments	-	-	116.389	-	-	-	116.389
Other Assets	91.397	16.033	13.737	1.962	-	545.384	668.513
<b>Total Assets</b>	<b>1.939.892</b>	<b>3.001.830</b>	<b>2.761.425</b>	<b>1.036.646</b>	<b>353.566</b>	<b>728.132</b>	<b>9.821.491</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.376.539	106.816	3.646	-	-	-	1.487.001
Miscellaneous Payables	71.669	-	-	-	-	104.195	175.864
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	846.668	2.288.951	3.097.647	35.346	206.322	-	6.474.934
Other Liabilities (**)	34.026	7.581	33.674	3.672	-	1.604.739	1.683.692
<b>Total Liabilities</b>	<b>2.328.902</b>	<b>2.403.348</b>	<b>3.134.967</b>	<b>39.018</b>	<b>206.322</b>	<b>1.708.934</b>	<b>9.821.491</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>598.482</b>	<b>-</b>	<b>997.628</b>	<b>147.244</b>	<b>-</b>	<b>1.743.354</b>
<b>Balance Sheet Short Position</b>	<b>(389.010)</b>	<b>-</b>	<b>(373.542)</b>	<b>-</b>	<b>-</b>	<b>(980.802)</b>	<b>(1.743.354)</b>
<b>Off-Balance Sheet Long Position</b>	<b>-</b>	<b>113</b>	<b>-</b>	<b>7.351</b>	<b>-</b>	<b>-</b>	<b>7.464</b>
<b>Off-Balance Sheet Short Position</b>	<b>(13.122)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13.122)</b>
<b>Total Position</b>	<b>(402.132)</b>	<b>598.595</b>	<b>(373.542)</b>	<b>1.004.979</b>	<b>147.244</b>	<b>(980.802)</b>	<b>(5.658)</b>

(\*) Amounts in investments in associates and subsidiaries, entities under common control, deferred tax asset, investment property, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

(\*\*) Borrower funds amounting to TL 8.518 are presented in "Other Liabilities" on the basis of related maturities.



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**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to the consolidated interest rate risk (continued)**

**Average interest rates applied to monetary financial instruments: %**

	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>TL</b>
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	3,45	4,37	-	9,99
Financial Assets at Fair Value Through Profit and Loss	-	7,00	-	8,11
Money Market Placements	-	-	-	8,11
Available-for-Sale Financial Assets	5,62	5,73	-	8,89
Loans	4,93	3,78	4,96	10,35
Held-to-Maturity Investments	-	-	-	23,25
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,99	1,31	-	6,57
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1,00	1,00	-	5,83
	2,08	0,75	-	-

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**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to the consolidated interest rate risk (continued)**

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items of prior period (based on repricing dates):**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (*)	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	64.550	64.550
Banks	369.323	21.542	150.133	-	-	14.896	555.894
Financial Assets at Fair Value Through Profit and Loss	4.171	5.347	16.739	64.628	3.776	25.457	120.118
Money Market Placements	7.830	-	-	-	-	-	7.830
Available-for-Sale Financial Assets	700.593	604.502	184.116	317.418	283.018	38.970	2.128.617
Loans	1.280.865	1.799.961	1.280.116	189.806	54.098	22.104	4.626.950
Held-to-Maturity Investments	2.120	113.017	195.150	-	-	-	310.287
Other Assets	12.927	42.976	20.044	2.978	-	469.389	548.314
<b>Total Assets</b>	<b>2.377.829</b>	<b>2.587.345</b>	<b>1.846.298</b>	<b>574.830</b>	<b>340.892</b>	<b>635.366</b>	<b>8.362.560</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.323.192	107.781	2.760	-	-	-	1.433.733
Miscellaneous Payables	1.180	-	-	-	-	86.312	87.492
Marketable Securities Issued	-	149.447	44.835	-	-	-	194.282
Funds Provided from Other Financial Institutions	1.891.396	2.174.993	976.918	18.340	69.150	-	5.130.797
Other Liabilities	2.180	834	7.351	768	80	1.505.043	1.516.256
<b>Total Liabilities</b>	<b>3.217.948</b>	<b>2.433.055</b>	<b>1.031.864</b>	<b>19.108</b>	<b>69.230</b>	<b>1.591.355</b>	<b>8.362.560</b>
Balance Sheet Long Position	-	154.290	814.434	555.722	271.662	-	1.796.108
Balance Sheet Short Position	(840.119)	-	-	-	-	(955.989)	(1.796.108)
Off-Balance Sheet Long Position	-	-	-	152.364	45.208	-	197.572
Off-Balance Sheet Short Position (**)	(1.588.888)	(10.282)	(161.469)	-	-	-	(1.760.639)
<b>Total Position</b>	<b>(2.429.007)</b>	<b>144.008</b>	<b>652.965</b>	<b>708.086</b>	<b>316.870</b>	<b>(955.989)</b>	<b>(1.563.067)</b>

(\*) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

(\*\*) TL 1.573.170 of this amount is interest rate futures - buy with maturities between 1-5 years and showed at nominal value. This balance is showed under "Up to 1 month" column since these transactions are under daily interest exposure.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to the consolidated interest rate risk (continued)**

**Average interest rates applied to monetary financial instruments in prior period: %**

	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>TL</b>
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	-	-	8,74
Financial Assets at Fair Value Through Profit and Loss	-	-	-	7,97
Money Market Placements	-	-	-	6,85
Available-for-Sale Financial Assets	5,49	5,83	-	9,49
Loans	3,93	3,41	4,96	9,72
Held-to-Maturity Investments	-	-	-	13,59
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1,00	1,03	-	6,78
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	8,34
Funds	-	-	-	-
Funds Provided from Other Financial Institutions	1,40	1,03	-	6,10

**V. Explanations related to the consolidated liquidity risk**

The Parent Bank's future cash flows and current positions are taken into consideration for managing the market and liquidity risks. The Parent Bank does not invest into illiquid markets and instruments. The liquidity ratios are followed up and the maturity match and the coverage of liquidity need are targeted in the context of asset-liability management.

Although the Parent Bank started to perform tests to calculate liquidity risk with internal models, the risk is still followed up basically by arranging the risks with respect to "holding period" data.

For the purpose of meeting the liquidity requirement, the Parent Bank chooses one of the three or more of the following; disposing liquid assets, increasing short-term borrowing, decreasing illiquid assets or increasing capital. The Parent Bank's liquidity management is implemented by meeting all the obligations on time considering the Parent Bank's reputation. The cash flow projections and the fund requirement predictions are made by using adverse scenarios to determine liquidity risk under urgent and unexpected circumstances.

As seen on interest rate risk tables, the difference in interest rates of assets and liabilities is in favor of the assets. Such mismatch positively affects the profitability and is checked by the Parent Bank Management with regular reports.

The Parent Bank meets its short term liquidity requirements with repurchase agreements and inter-bank money market operations. The Parent Bank may also use its available for sale portfolio for urgent liquidity requirement. The Parent Bank meets its long term liquidity needs from the international institutions through borrowings.

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**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**V. Explanations related to the consolidated liquidity risk (continued)**

**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	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	4.662	88.187	-	-	-	-	-	92.849
Banks	25.112	334.648	36.915	-	-	-	-	396.675
Financial Assets at Fair Value Through Profit and Loss	19.524	8.836	9.597	38.929	112.094	13.605	-	202.585
Money Market Placements	-	43.581	-	-	-	-	-	43.581
Financial Assets Available-for-Sale	3.829	-	3.689	160.696	1.507.210	665.813	26.874	2.368.111
Loans	14.561	95.191	132.752	945.123	3.552.379	1.192.782	-	5.932.788
Held-to-Maturity Investments	-	-	-	116.389	-	-	-	116.389
Other Assets	-	99.004	7.296	16.212	13.861	-	532.140	668.513
<b>Total Assets</b>	<b>67.688</b>	<b>669.447</b>	<b>190.249</b>	<b>1.277.349</b>	<b>5.185.544</b>	<b>1.872.200</b>	<b>559.014</b>	<b>9.821.491</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	167.637	47.401	743.675	2.261.854	3.254.367	-	6.474.934
Money Market Borrowings	-	1.376.539	106.816	3.646	-	-	-	1.487.001
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	12.593	72.003	-	-	-	-	91.268	175.864
Other Liabilities	7	32.968	2.438	30.984	6.974	7.049	1.603.272	1.683.692
<b>Total Liabilities</b>	<b>12.600</b>	<b>1.649.147</b>	<b>156.655</b>	<b>778.305</b>	<b>2.268.828</b>	<b>3.261.416</b>	<b>1.694.540</b>	<b>9.821.491</b>
<b>Liquidity Gap</b>	<b>55.088</b>	<b>(979.700)</b>	<b>33.594</b>	<b>499.044</b>	<b>2.916.716</b>	<b>(1.389.216)</b>	<b>(1.135.526)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	81.525	695.798	489.716	1.211.734	4.044.685	1.336.630	502.472	8.362.560
Total Liabilities	10.122	1.620.922	341.496	466.331	1.779.204	2.563.303	1.581.182	8.362.560
<b>Liquidity Gap</b>	<b>71.403</b>	<b>(925.124)</b>	<b>148.220</b>	<b>745.403</b>	<b>2.265.481</b>	<b>(1.226.673)</b>	<b>(1.078.710)</b>	<b>-</b>

(\*) Other assets and shareholders' equity, provisions and tax liability, which are necessary and cannot be converted into cash in the near future for the Bank's ongoing activities, such as tangible and intangible assets, investments in subsidiaries and associates, entities under common control, office supply inventory, prepaid expenses and non-performing loans are classified under "undistributed" column.

(\*\*) Borrower funds amounting to TL 8.518 are presented in "Other Liabilities" on the basis of related maturities.

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and disclosures related to the consolidated assets**

**1.a Information on cash and balances with the Central Bank of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	165	162	195	188
Balances with the Central Bank of Turkey	1.680	90.842	4.948	59.219
Other	-	-	-	-
<b>Total</b>	<b>1.845</b>	<b>91.004</b>	<b>5.143</b>	<b>59.407</b>

**1.b Information related to the account of the Central Bank of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	1.680	2.655	4.948	2.189
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	88.187	-	57.030
<b>Total</b>	<b>1.680</b>	<b>90.842</b>	<b>4.948</b>	<b>59.219</b>

(\*) Deposits at Central Bank of Turkey held as reserve requirement.

**2.a Information on financial assets at fair value through profit and loss**

**2.a.1 Trading securities**

**2.a.1.a Trading securities given as collateral or blocked**

As of the reporting date, the Group's trading securities given as collateral or blocked amounted to TL 7.086 (31 December 2010: TL 4.909).

**2.a.1.b Trading securities subject to repurchase agreements**

As of the reporting date, the Group has no trading securities subject to repurchase agreements (31 December 2010: TL 441).

**2.a.2 Information on financial assets designated at fair value through profit and loss**

**2.a.2.a Information on financial assets designated at fair value through profit and loss given as collateral or blocked**

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blocked (31 December 2010: None).

**2.a.2.b Financial assets designated at fair value through profit and loss subject to repurchase agreements**

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2010: None).



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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**2.b Positive differences related to derivative financial assets held-for-trading:**

Derivative instruments held for trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	9.590	2.055	373	-
Swap Transactions	7.653	9.439	1.722	3.798
Futures Transactions	-	-	-	-
Options	-	30.310	352	4.892
Other	-	-	124	-
<b>Total</b>	<b>17.243</b>	<b>41.804</b>	<b>2.571</b>	<b>8.690</b>

**3. Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	17.077	362.975	545.529	3.673
Foreign	-	16.623	-	6.692
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>17.077</b>	<b>379.598</b>	<b>545.529</b>	<b>10.365</b>

**4. Information on financial assets available-for-sale**

**4.a.1 Financial assets available-for-sale subject to repurchase agreements:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	829.581	54.378	861.837	47.296
Treasury bills	-	-	-	-
Other public sector debt securities	-	192.573	-	117.454
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>829.581</b>	<b>246.951</b>	<b>861.837</b>	<b>164.750</b>

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**4. Information on financial assets available-for-sale (continued)**

**4.a.2 Information on financial assets available-for-sale given as collateral or blocked:**

All financial assets available for sale given as collateral comprise of financial assets are issued by the Turkish Treasury. The carrying value of those assets is TL 426.755 (31 December 2010: TL 342.225).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	347.812	78.943	266.543	75.682
Other	-	-	-	-
<b>Total</b>	<b>347.812</b>	<b>78.943</b>	<b>266.543</b>	<b>75.682</b>

**4.b Major types of available for sale financial assets:**

Available for sale financial assets comprise government bonds 72,03%, Eurobonds 14,70%, and shares and other securities 13,27% (31 December 2010: government bonds 75,21%, Eurobonds 14,67% and shares and other securities 10,12%).

Financial and non-financial investments, to which the Bank has invested between 0,35% to 7,00% of their share capital are classified in available-for-sale financial assets.

**4.c Information on financial assets available for sale portfolio:**

	Current Period	Prior Period
Debt securities	2.347.758	2.092.933
Quoted on a stock exchange	1.801.165	1.674.765
Unquoted	546.593	418.168
Share certificates	38.654	44.677
Quoted on a stock exchange	8.108	15.617
Unquoted	30.546	29.060
Impairment provision(-)	(22.129)	(12.996)
Other	3.828	4.003
<b>Total</b>	<b>2.368.111</b>	<b>2.128.617</b>

Net book value of unquoted available for sale share certificates is TL 21.755 (31 December 2010: TL 20.270).

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**5. Information on loans**

**5.a Information on all types of loans and advances given to shareholders and employees of the Parent Bank**

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	100.340	117.413	98.978	117.413
Corporate shareholders	100.340	117.413	98.978	117.413
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	159	-	281	-
<b>Total</b>	<b>100.499</b>	<b>117.413</b>	<b>99.259</b>	<b>117.413</b>

**5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:**

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans	5.859.980	1.959	38.477	17.811
Discount notes	-	-	-	-
Export loans	40.866	-	-	-
Import loans	-	-	-	-
Investment loans	3.586.196	1.959	27.623	15.647
Loans given to financial sector	703.207	-	-	-
Foreign loans	9.623	-	-	-
Consumer loans	159	-	-	-
Credit cards	-	-	-	-
Precious metals loans	-	-	-	-
Other	1.519.929	-	10.854	2.164
Specialized loans	-	-	-	-
Other receivables	14.561	-	-	-
<b>Total</b>	<b>5.874.541</b>	<b>1.959</b>	<b>38.477</b>	<b>17.811</b>

(\*)The Parent Bank's close monitoring receivables from leasing transactions amounting to TL 9.712 have also been included. (31 December 2011: TL 15.032).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**5. Information on loans (continued)**

**5.c Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:**

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans- TL	120	39	159
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	120	39	159
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>120</b>	<b>39</b>	<b>159</b>

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**5. Information on loans (continued)**

**5.d Information on commercial loans with installments and corporate credit cards:**

The Parent Bank has not granted any commercial loans with installments and corporate credit cards as of the reporting date (31 December 2010: None).

**5.e Domestic and foreign loans:**

	Current Period	Prior Period
Domestic Loans	5.923.165	4.626.601
Foreign Loans	9.623	349
<b>Total</b>	<b>5.932.788</b>	<b>4.626.950</b>

**5.f Loans granted to subsidiaries and associates:**

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	59.463	59.853
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>59.463</b>	<b>59.853</b>

**5.g Specific provisions provided against loans:**

	Current Period	Prior Period
Loans and receivables with limited collectibility	6.329	8.778
Loans and receivables with doubtful collectibility	5.977	-
Uncollectible loans and receivables	15.267	17.707
<b>Total</b>	<b>27.573</b>	<b>26.485</b>

The Parent Bank allocates 100% provision for all non-performing loans regardless of the collaterals.

**5.h Information on non-performing loans (net):**

**5.h.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:**

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectibility	Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross amounts before provisions)	-	5.977	4.521
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.977	4.521
<b>Prior Period</b>			
(Gross amounts before provisions)	8.778	-	5.057
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	8.778	-	5.057



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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**5. Information on loans (continued)**

**5.h Information on non-performing loans (net) (continued)**

**5.h.2 Movement of non-performing loans:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Prior Period End Balance</b>	8.778	-	17.707
Additions (+)	6.713	-	346
Transfers from Other Categories of Non-performing Loans (+)	-	8.778	-
Transfers to Other Categories of Non-performing Loans (-)	(8.778)	-	-
Collections (-)	(384)	(2.801)	(2.786)
Write-offs (-)	-	-	-
Corporate and Commercial Loans			
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period Ending Balance</b>	<b>6.329</b>	<b>5.977</b>	<b>15.267</b>
Specific Provisions (-)	(6.329)	(5.977)	(15.267)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

**5.h.3 Information on foreign currency non-performing loans and other receivables:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period</b>			
Period End Balance	3.988	5.977	5.388
Specific Provision (-)	(3.988)	(5.977)	(5.388)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period</b>			
Period End Balance	8.767	-	5.729
Specific Provision (-)	(8.767)	-	(5.729)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**5. Information on loans (continued)**

**5.h Information on non-performing loans (net) (continued)**

**5.h.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	6.329	5.977	9.924
Specific Provision Amount (-)	(6.329)	(5.977)	(9.924)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	5.343
Specific Provision Amount (-)	-	-	(5.343)
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	8.778	-	12.364
Specific Provision Amount (-)	(8.778)	-	(12.364)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	5.343
Specific Provision Amount (-)	-	-	(5.343)
Other Loans and Receivables (Net)	-	-	-

**5.i Main principles of liquidating non performing loans and receivables:**

If there are collaterals received complying Article 9 of the Communiqué regarding “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, these collaterals are converted into cash immediately using either administrative or legal procedures in order to collect those receivables.

In cases of no collaterals, several financial investigations are made to determine whether any property holdings are subsequently acquired by applying legal procedures, even if there is evidence of insolvency for the debtor.

Before and after the beginning of the liquidation process; the Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Bank management agrees that the companies show any indication of operating on an ongoing basis and probably are going to have contributions in the economical environment in the future; the Bank management tries to make the collection through rescheduling the payment terms.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**6. Information on held-to-maturity investments:**

**6.a Information on held-to-maturity investments as collateral or blocked:**

**6.a.1** As of the reporting date, the Group has no collateral or blocked held-to-maturity investments (31 December 2010: None).

**6.a.2** As of the reporting date, the Group has TL 81.373 of investment securities held-to-maturity subject to repurchase transactions (31 December 2010: TL 202.925).

**6.b Information on investment securities held-to-maturity:**

As of the reporting date, the Group has TL 116.389 of investment securities held-to-maturity (31 December 2010: TL 310.287).

**6.c Information on investment securities held-to-maturity:**

	<b>Current Period</b>	<b>Prior Period</b>
Debt Instrument	116.389	310.287
Quoted	116.389	310.287
Unquoted	-	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>116.389</b>	<b>310.287</b>

**6.d Movement of held to maturity investments:**

	<b>Current Period</b>	<b>Prior Period</b>
Beginning balance	278.760	281.906
Foreign currency differences on monetary assets	-	-
Purchases during year	-	-
Disposals through sales and redemptions(*)	(182.973)	(3.146)
Impairment provision (-)	-	-
Closing Balance	95.787	278.760
Interest and Income Accruals and Discount	20.602	31.527
<b>Total</b>	<b>116.389</b>	<b>310.287</b>

(\*) TL 177.795 of the amount comprises of the Parent Bank's held to maturity investment that was redeemed on 11 May 2011 and on 3 August 2011.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**7. Information on investments in associates (net):**

**7.a.1 Information on unconsolidated associates:**

	<b>Title</b>	<b>Address (City/ Country)</b>	<b>Bank's share percentage- If different voting percentage (%)</b>	<b>Bank's risk group share percentage (%)</b>
1	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/ Turkey	17,83	18,76
2	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/ Turkey	10,00	10,00

Non-financial associates, as above, are not consolidated in accordance with the Communiqué on “Preparing Consolidated Financial Statements of the Banks”.

	<b>Total Assets</b>	<b>Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income from Marketable Securities Portfolio</b>	<b>Current Period Profit /Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Fair Value</b>
Terme (1)	18.576	3.673	731	306	-	651	674	-
Ege Tarım (2)	7.962	7.957	1.566	159	-	77	-	-

(2) Represents un-reviewed 30 September 2011 financial statements. Prior year profit/loss is obtained from un-audited 31 December 2010 financial statements.

(3) Represents un-reviewed 30 September 2011 financial statements. Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. was established on 4 January 2011 and there are no financial statements as of the prior period.

**7.a.2 Information on the consolidated associates:**

	<b>Title</b>	<b>Address (City/ Country)</b>	<b>Bank's share percentage-If different voting percentage (%)</b>	<b>Bank's risk group share percentage (%)</b>
1	İş Factoring Finansman Hizmetleri A.Ş. (İş Factoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	56,46
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,67

	<b>Total Assets</b>	<b>Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income from Marketable Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Fair Value</b>
İş Factoring (1)	361.624	51.570	694	25.566	6	6.119	5.334	-
İş Finansal (2)	1.728.886	479.329	1.247	90.519	893	41.013	63.702	100.691
İş Girişim (3)	134.829	131.477	243	-	-	(3.599)	12.255	16.800

(1) Represents un-reviewed 30 September 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements.

(2) Represents reviewed 30 September 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 consolidated financial statements. Fair value is presented as of 30 September 2011.

(3) Represents reviewed 30 June 2011 consolidated financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements. Fair value is presented as of 30 September 2011.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**7. Information on investments in associates (net) (continued):**

**7.a.2 Information on the consolidated associates (continued):**

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the Beginning of the Period	173.600	150.798
Movements During the Period	15.832	22.802
Purchases (*)	-	68
Bonus Shares Received	-	-
Current Year Share of Profit	19.937	20.508
Sales	(986)	-
Revaluation Increase	-	2.226
Provision for Impairment	(3.119)	-
<b>Balance at the End of the Period</b>	<b>189.432</b>	<b>173.600</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(\*) Purchases represents classification of shares of İş Finansal Kiralama A.Ş. from available for sale portfolio to associates.

**7.a.3 Sectoral information of associates and the related carrying amounts in the legal books**

	<b>Current Period</b>	<b>Prior Period</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	22.751	21.983
Leasing Companies	137.069	127.090
Financial Service Companies	-	-
Other Associates	30.703	25.211

**7.a.4 Information on associates quoted on stock market**

	<b>Current Period</b>	<b>Prior Period</b>
Associates Quoted on Domestic Stock Markets	166.681	151.617
Associates Quoted on Foreign Stock Markets	-	-

**7.a.5 Information on associates disposed in the current period:**

In the current period, publicly held shares of İş Finansal Kiralama A.Ş. amounting to TL 986 has been sold. In the current period, the Parent Bank has sold Gözlük Sanayi A.Ş., with a non-controlling interest of 21,71% and net book value of TL 329, to other real person shareholders with a nominal value of TL 0,002 per each 1 share amounting to TL 231 in total and all of the sales amount was paid in advance.

In the prior period, the Board of Directors have authorised the General Management on the meeting held on 25 March 2010 with the resolution numbered 1930 for the sale of all shares of Senapa Stampa Ambalaj Sanayi ve Ticaret A.Ş., an associate which the Parent Bank had acquired its shares through venture capital funds of the European Investment Bank (“EIB”). The sale transaction was realized on 11 May 2010 and proceeds from the sale have been transferred to EIB as agreed. The Board of Directors have authorised the General Manager on the meeting held on 28 June 2010 with the resolution numbered 1951 for the sale of all shares of Ünsa Ambalaj Sanayi ve Ticaret A.Ş., associate which the Parent Bank had acquired its shares through venture capital funds of the European Investment Bank (“EIB”). The sale transaction was realized on 13 August 2010 and the sale amount was transferred to EIB on 14 December 2010 as agreed.

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**7. Information on investments in associates (net) (continued):**

**7.a.6 Information on associates purchased in the current period**

In the Board of Directors meeting dated 6 May 2010, the Parent Bank decided to invest in 10% of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş., which would be established in Izmir with TL 8.000 share capital, at an amount of TL 800. The decision was published in the Turkish Trade Registry Gazette No: 7729 on 13 January 2011.

In the prior period, the Parent Bank has obtained bonus shares of İş Finansal Kiralama A.Ş. amounting to TL 12.852 with capital increase of TL 45.000.

**8. Information related to subsidiaries (net)**

**8.a.1 Information related to unconsolidated subsidiaries**

	Title	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Turkey	99,99	99,99
2	TSKB Gayrimenkul Aracılık Hizmetleri A.Ş.	Istanbul /Turkey	96,00	100,00
3	TSKB Gayrimenkul Danışmanlık Hizmetleri A.Ş.	Istanbul /Turkey	1,00	100,00
4	Sürdürülebilir Danışmanlık A.Ş.	Istanbul /Turkey	-	96,00

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
TSKB GMD (1)	6.199	5.005	1.504	-	-	1.594	1.362	-
TG A.Ş. (2)	421	368	65	-	-	36	93	-
TGD A.Ş. (3)	369	326	41	-	-	7	79	-
SD A.Ş. (4)	209	203	9	-	-	(37)	-	-

- (1) Represents un-reviewed 30 September 2011 financial statements. Prior year profit/loss is obtained from 31 December 2010 financial statements.
- (2) Represents un-reviewed 30 September 2011 financial statements. Prior year profit/loss is obtained from 31 December 2010 financial statements.
- (3) Represents un-reviewed 30 September 2011 financial statements. Prior year profit/loss is obtained from 31 December 2010 financial statements.
- (4) Represents un-reviewed 30 September 2011 financial statements. Sürdürülebilir Danışmanlık A.Ş. was established on 14 April 2011 and there are no financial statements as of the prior period.

**8.a.2 Information related to consolidated subsidiaries**

	Title	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Yatırım Ortaklığı A.Ş. (TSKB Y.O.)	Istanbul /Turkey	22,53	58,62
2	Yatırım Finansman Menkul Değerler A.Ş. (YFMEN.DEĞ.)	Istanbul /Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	65,81



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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations and disclosures related to the consolidated assets (continued)**

**8. Information related to subsidiaries (net) (continued)**

**8.a.2 Information related to consolidated subsidiaries (continued)**

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
TSKB Y.O. (1)	40.963	40.558	-	53	1.115	(1.619)	5.633	4.780
YF MEN.DEĞ. (2)	642.320	64.948	1.400	17.689	827	6.013	9.561	-
TSKB GYO (3)	324.370	201.466	293.657	1.238	-	(19.468)	6.208	52.215

- (1) Represents reviewed 30 September 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements. Fair value is presented as of 30 September 2011.
- (2) Represents reviewed 30 September 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements.
- (3) Represents reviewed 30 September 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements. Fair value is presented as of 30 September 2011.

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>187.772</b>	<b>179.509</b>
Movements During the Period	7.662	8.263
Purchases (*)	-	9.058
Bonus Shares Obtained	7.662	6.705
Current Year Shares of Profit	-	-
Sales (**)	-	(7.500)
Revaluation Increase	-	-
Provision for Impairment	-	-
<b>Balance At the End of the Period</b>	<b>195.434</b>	<b>187.772</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(\*) Purchases represents classification of shares of TSKB Yatırım Ortaklığı A.Ş. and TSKB GYO A.Ş. from available for sale portfolio to associates.

(\*\*) In the prior period, shares of TSKB GYO amounting to TL 7.500 were sold from the Parent Bank's portfolio, during public offering.

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been eliminated from the accompanying consolidated financial statements.

**8.a.3 Sectoral information on subsidiaries and the related carrying amounts in the legal books**

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Subsidiaries	196.276	188.456

**8.a.4 Subsidiaries quoted on stock exchange**

As of 30 September 2011, the fair value of the Group's subsidiaries quoted on the stock exchange is TL 56.995 (31 December 2010: TL 89.214).

**8.a.5 Subsidiaries disposed in the current period**

The Parent Bank has not sold any subsidiary in the current period.

The Bank has not sold any subsidiary in the prior period. One of the Bank's subsidiary, TSKB GYO, has been offered to public with a rate of 33%, by increasing its capital to TL 150.000 from TL 100.000. Since demand collected exceeded the issuance amount, during the initial public offering the Bank has sold some shares that it owned prior to the public offering amounting to TL 7.500.

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**I. Explanations and disclosures related to the consolidated assets (continued)**

**8. Information related to subsidiaries (net) (continued)**

**8.a.6 Subsidiaries purchased in the current period:**

In the Board of Directors meeting of Yatırım Finansman Menkul Değerler A.Ş., one of the subsidiaries of the Parent Bank, held on 18 March 2011, it has been decided to participate to a company operating in evaluation of renewable energy projects, sustainable environmental management and environmental analysis called “Sürdürülebilir Danışmanlık A.Ş.” with an ownership of 96% and TL 230,4 ownership of the TL 240 full capital and required procedures have been completed on 14 April 2011.

In the prior period, the Parent Bank has obtained bonus shares of Yatırım Finansman Menkul Değerler A.Ş., amounting to TL 7.662 with a capital increase of TL 8.000.

In the current period, the Parent Bank has obtained TL 6.705 bonus shares which comes from capital increase of Yatırım Finansman Menkul Değerler A.Ş., amounting to TL 7.000. In order to increase capital and meet cash requirements of TSKB Gayrimenkul Aracılık Hizmetleri A.Ş. that was established on 10 February 2010 with the 96% participation of the Parent Bank with a capital amounting to TL 48 and TSKB Gayrimenkul Danışmanlık Hizmetleri A.Ş. that was established on 6 June 2010 with 1% participation of the Parent Bank with a capital amounting to TL 0.5, it has been decided to make a General Assembly. The capitals for both of the companies have been decided to be increased by TL 50 from TL 190 to TL 240 separately, and the decision has been published in the Turkish Gazette on 21 June 2010. After the capital increase the Parent Bank’s share at these companies did not change. TL 182.4 of increased capital TSKB Gayrimenkul Aracılık Hizmetleri A.Ş and TL 1.9 of increased capital at TSKB Gayrimenkul Danışmanlık Hizmetleri A.Ş. are paid by the Parent Bank.

**9. Information related to entities under common control**

In the current period, TSKB GYO, one of the subsidiaries of the Parent Bank, established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı (“Adana Hotel Project”) on 26 May 2011. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute and complete the hotel project which will be operated by Palmira Turizm Ticaret A.Ş.. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for the Company. The nominal paid-in capital of Adana Otel Projesi Adi Ortaklığı comprises 20.000 shares of TL 1 for each amounting to TL 20 in total. TSKB GYO has paid TL 10 in cash for the 50% ownership in Adana Otel Projesi Adi Ortaklığı (31 December 2010: None).

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securits Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Adana Hotel Project	1.374	(1)	1.281	-	-	(21)	-	-

(1) Represents un-reviewed 30 September 2011 financial statements. The company was established on 26 May 2011 and there are no prior year profit/loss is obtained.

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**I. Explanations and disclosures related to the consolidated assets (continued)**

**10. Information on finance lease receivables (Net)**

**10.a Maturities of investments on finance leases**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	39.480	37.998	27.040	26.768
Between 1- 4 years	2.995	2.995	45.304	43.320
More than 4 years	-	-	-	-
<b>Total</b>	<b>42.475</b>	<b>40.993</b>	<b>72.344</b>	<b>70.088</b>

**10.b The information on net investments in finance leases:**

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>42.475</b>	<b>72.344</b>
Unearned revenue from finance leases (-)	(1.482)	(2.256)
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>40.993</b>	<b>70.088</b>

**10. Information on finance lease receivables (net) (continued)**

**10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement**

Finance lease agreements are made in accordance with the related articles of the Financial Leasing Law No. 3226. There are no restructuring or restrictions having material effect on financial statements (31 December 2010: None).

**11. Information on derivative financial assets for hedging purposes**

The Group has no derivative financial assets for hedging purposes as of the reporting date (31 December 2010: None).

**12. Information on investment properties**

In the current period, the Parent Bank has three investment properties with a net book value of TL 216.622 belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. (31 December 2010: TL 213.281).

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**I. Explanations and disclosures related to the consolidated assets (continued)**

**13. Information on deferred tax assets**

**13.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset**

The Group has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

<b>Deferred tax asset:</b>	<b>Current period</b>	<b>Prior period</b>
Useful life difference of fixed assets	402	1.044
Employee benefit provision	1.170	1.058
Loan commissions accrual adjustment	11.627	9.081
Valuation of derivative instruments	1.437	-
Other provisions	8.465	8.477
Marketable securities	1.940	5.011
Other	115	210
<b>Total Deferred Tax Asset</b>	<b>25.156</b>	<b>24.881</b>
<b>Deferred tax liabilities:</b>		
Derivative instrument accruals	(1.436)	(203)
Funds borrowed accrual adjustment	(1.694)	(887)
Marketable securities	(4.954)	(6.098)
Other	(46)	(347)
<b>Total Deferred Tax Liability</b>	<b>(8.128)</b>	<b>(7.535)</b>
<b>Net Deferred Tax Asset</b>	<b>17.028</b>	<b>17.346</b>

**13.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions**

The Group has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods. (31 December 2010: None).

**13.c Allowance for deferred tax and deferred tax assets from reversal of allowance**

As of the reporting date, the Group has no allowance for deferred tax and deferred tax assets from reversal of allowance. (31 December 2010: None).

**14. Information on assets held for sale**

In the current period, the Bank has no assets held for sale (31 December 2010: None).

**15. Information about other assets**

**15.a Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total**

Other assets are not exceeding 10% of total assets, excluding off-balance sheet commitments (31 December 2010: None).

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the consolidated liabilities**

**1. Information on maturity structure of deposits**

**1.a.1 Maturity structure of deposits**

The Parent Bank is not authorized to accept deposits.

**1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund**

The Parent Bank is not authorized to accept deposits.

**1.b Information on the scope whether the bank with a foreign head office suits saving deposit insurance of the related country**

The Parent Bank is not authorized to accept deposits.

**1.c Saving deposits which are not under the guarantee of deposit insurance fund**

The Parent Bank is not authorized to accept deposits

**2. Information on derivative financial liabilities held-for-trading**

**2.a Negative differences table related to derivative financial liabilities held-for-trading:**

Derivative financial liabilities held for trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	9.147	9.045	200	-
Swap Transactions	7.355	14.119	2.128	2.694
Futures Transactions	-	-	-	-
Options	-	30.769	352	4.900
Other	-	-	80	-
<b>Total</b>	<b>16.502</b>	<b>53.933</b>	<b>2.760</b>	<b>7.594</b>

**3. Information on funds borrowed**

**3.a Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	148.417	59.017	155.851
From Foreign Banks, Institutions and Funds	-	6.232.856	-	4.837.982
<b>Total</b>	<b>-</b>	<b>6.381.273</b>	<b>59.017</b>	<b>4.993.833</b>

**3.b Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	467.373	59.017	390.131
Medium and long-term	-	5.913.900	-	4.603.702
<b>Total</b>	<b>-</b>	<b>6.381.273</b>	<b>59.017</b>	<b>4.993.833</b>

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**4. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:**

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2010: None).

**5. Explanations on financial lease obligations (net):**

**5.a The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the bank:**

The Parent Bank entered into financial lease transactions with Vakıf Finansal Kiralama A.Ş. and the Bank's associate İş Finansal Kiralama A.Ş. The lease agreements are paid in equal installments. There are no issues in these agreements which would cause significant liabilities to the Parent Bank.

**5.b Explanations on finance lease payables:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2	-	2	-
Between 1- 4 years	2	-	2	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>

**5.c Explanations regarding operational leases**

As of the reporting date, 1 head office of a Group Company and 13 branches are subject to operational leasing. Additionally, 27 cars are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2010: 1 head office, 13 branches and 20 cars are subject to operational leasing).

**5.d Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms:**

The Group has no sale and lease back transactions as of the reporting date (31 December 2010: None).

**6. Information on derivative financial liabilities for hedging purposes**

The Group has no derivative financial liabilities for hedging purposes as of reporting date (31 December 2010: None).



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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**7. Information on provisions**

**7.a Information on general loan loss provisions:**

	<b>Current Period</b>	<b>Prior Period</b>
General Loan Loss Provisions	<b>55.395</b>	<b>43.539</b>
Provisions for First Group Loans and Receivables	48.307	35.819
Provisions for Second Group Loans and Receivables	1.203	1.761
Provisions for Non-Cash Loans	2.240	1.870
Other	3.645	4.089

**7.b Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:**

As of reporting date, the Group's foreign exchange losses on the foreign currency indexed loans amount to TL 118 (31 December 2010: TL 12.462). The foreign exchange losses on the foreign currency indexed loans are netted off from the loans in the financial statements.

**7.c Information related to other provisions:**

**7.c.1 Provisions for possible losses:**

	<b>Current Period</b>	<b>Prior Period</b>
Provision for Possible Losses	-	-

**7.c.2 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts**

	<b>Current Period</b>	<b>Prior Period</b>
Provision for Possible Losses	-	-
Provision for Dividend Received from Subsidiaries	-	-
Other (*)	41.818	41.929
<b>Total</b>	<b>41.818</b>	<b>41.929</b>

(\*) Other provision account includes TL 37.993 of provision for possible risks on credit portfolio in the future (31 December 2010: TL 41.808).

**8. Explanations on the number of subordinated loans the group used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:**

The Parent Bank has signed an agreement with the International Finance Corporation, for a subordinated loan of USD 50 Million (TL 92.500). The interest accrued on this loan is TL 1.161 as of the reporting date.

The first agreement date of the loan was 21 September 2004. The first usage date was 5 November 2004. The interest rate is variable; at the reporting date it is (0,44+2,25 spread) 2,69%. Principal of the loan will be repaid on 15 October 2016 as a whole.

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**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**9. Information on taxes payable:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Taxes Payable (*)	11.322	-	12.588	-
Deferred Tax Liability	-	-	-	-
<b>Total</b>	<b>11.322</b>	<b>-</b>	<b>12.588</b>	<b>-</b>

(\*) In the current period, Corporate Tax Provision is TL 38.158 and netted off from Prepaid Tax of TL 26.836 (31 December 2010: Corporate Tax Provision is TL 51.821 and netted off from Prepaid Tax of TL 39.233).

**9.a Information on deferred taxes liabilities**

As of the reporting date, the Group has no deferred tax liability (31 December 2010: None).

**9.a.1 Information on taxes payable:**

	Current Period	Prior Period
Corporate Taxes Payable	11.322	12.588
Taxation of Securities	1.293	632
Property Tax	-	-
Banking and Insurance Transaction Tax (BITT)	992	813
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	139	240
Other	848	2.149
<b>Total</b>	<b>14.594</b>	<b>16.422</b>

**9.a.2 Information on premiums:**

	Current Period	Prior Period
Social Security Premiums-Employee	76	67
Social Security Premiums-Employer	78	69
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	22	20
Unemployment Insurance-Employer	45	41
Other	-	2
<b>Total</b>	<b>221</b>	<b>199</b>

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**10. Information on shareholders' equity**

**10.a Presentation of paid-in capital:**

	<b>Current Period</b>	<b>Prior Period</b>
Common Stock	800.000	700.000
Preferred Stock	-	-

**10.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so amount of registered share capital:**

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling</b>
Registered Capital System	800.000	1.000.000

**10.c Information on share capital increases and their sources; other information on increased capital shares in current period:**

In the current period, the Parent Bank's share capital has increased by TL 100.000. In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 700.000 to TL 800.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 100.000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 12 May 2011 and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

In the prior period, the Parent Bank's share capital has increased by TL 100.000. In the meeting of the General Assembly held on 25 March 2010, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 600.000 to TL 700.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 85.000 of this increase will be incorporated from the profit of the year 2009 and TL 15.000 from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 18 May 2010 and has been published in the Turkish Trade Registry Gazette No: 7576 on 2 June 2010.

**10.d Information on share capital increases from capital reserves:**

In the current period there is no share capital increases from capital reserves (31 December 2010: None).

**10.e Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:**

The Parent Bank has no capital commitments in the last fiscal year and at the end of the following interim period.

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**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**10. Information on shareholders' equity (continued)**

**10.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:**

The prior period income, the profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Financial Control Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under several different scenario analyses. The Parent Bank operations are profitable, and the Parent Bank keeps the major part of its profit by capital increases or capital reserves within the shareholders' equity.

**10.g Information on preferred shares:**

The Parent Bank has no preferred shares.

**10.h Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	2.620	-	5.739	-
Valuation Differences	10.445	21.826	30.991	32.289
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>13.065</b>	<b>21.826</b>	<b>36.730</b>	<b>32.289</b>

**11. Information on non-controlling interest**

	Current Period	Prior Period
Paid-in-Capital	68.461	68.125
Share Premium	228	228
Securities Value Increase Fund	-	4
Legal Reserves	897	713
Extraordinary Reserves	7.121	5.545
Other Profit Reserves	-	-
Retained Earnings / Accumulated Losses	22.227	20.215
Net Profit or Loss	(7.126)	5.086
<b>Total</b>	<b>91.808</b>	<b>99.916</b>

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**III. Explanations and disclosures related to the consolidated off-balance sheet items**

**1. Information on off-balance sheet liabilities**

**1.a Nature and amount of irrevocable loan commitments:**

None other than those disclosed in 1.b.1 and 1.b.2 below.

**1.b Possible losses and commitments related to off-balance sheet items including items listed below**

**1.b.1 Non-cash loans including guarantees, acceptances, financial collaterals and other letters of credits**

As of the reporting date, total letter of credits is TL 533.998 (31 December 2010: TL 259.695).

**1.b.2 Guarantees, surety ships, and similar transactions**

As of reporting date, total letters of guarantee given by the Parent Bank is TL 729.422 (31 December 2010: TL 801.325).

**1.c.1 Total amount of non-cash loans:**

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash Loans Given Against Achieving Cash Loans	-	-
With Maturity of One Year or Less than One Year	-	-
With Maturity of More than One Year	-	-
Other Non-Cash Loans	1.279.125	1.093.918
<b>Total</b>	<b>1.279.125</b>	<b>1.093.918</b>

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**III. Explanations and disclosures related to the consolidated off-balance sheet items**  
**(continued)**

**1. Information on off-balance sheet liabilities (continued)**

**1.c.2 Information on sectoral risk breakdown of non-cash loans:**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	10.728	1
Farming and stockbreeding	-	-	-	-	-	-	10.728	1
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industrial	145.547	51	937.804	94	178.606	51	660.506	89
Mining	-	-	-	-	1.174	1	-	-
Manufacturing Industry	1.611	1	224.018	23	1.082	-	103.193	14
Electricity, Gas, Water	143.936	50	713.786	71	176.350	50	557.313	75
Construction	4.285	2	37.855	4	19.183	5	27.493	4
Services	130.645	46	18.980	2	153.085	44	44.310	6
Wholesale and Retail Trade	-	-	-	-	-	-	29.263	4
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	130.325	46	18.500	2	148.907	43	14.648	2
Real Estate and Leasing Services	320	-	480	-	178	-	399	-
Self-employment Services	-	-	-	-	4.000	1	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	4.009	1	-	-	7	-	-	-
<b>Total</b>	<b>284.486</b>	<b>100</b>	<b>994.639</b>	<b>100</b>	<b>350.881</b>	<b>100</b>	<b>743.037</b>	<b>100</b>

**1.c.3 Information on Ist and IInd group non-cash loans:**

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	284.486	994.639	350.841	743.037	-	-	40	-
Letters of Guarantee	272.052	457.370	319.826	481.459	-	-	40	-
Bank Acceptances	-	3.271	-	-	-	-	-	-
Letters of Credit	-	533.998	-	259.695	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	12.434	-	31.015	1.883	-	-	-	-



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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)**

**2. Explanations on contingent liabilities and assets**

There are 21 legal cases against the Group which are amounting to TL 358 as of the reporting date (31 December 2010: TL 277, 19 legal cases).

**IV. Explanations and disclosures related to the consolidated income statement**

**1.a Information on interest on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	13.323	3.424	7.302	2.501
Medium and Long Term Loans	54.749	131.114	42.342	75.523
Interest on Non-performing Loans	6.258	1.741	6.732	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>74.330</b>	<b>136.279</b>	<b>56.376</b>	<b>78.024</b>

(\*) Commission income from loans has been included to the interest on loans.

**1.b Information on interest received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey				
Domestic Banks	26.826	41	28.279	67
Foreign Banks	-	42	7	68
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>26.826</b>	<b>83</b>	<b>28.286</b>	<b>135</b>

**1.c Information on interest received from marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	4.885	1	6.829	347
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	101.482	22.760	123.922	24.956
Investments Held to Maturity	25.252	-	26.553	-
<b>Total</b>	<b>131.619</b>	<b>22.761</b>	<b>157.304</b>	<b>25.303</b>

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	1.184	769

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**2.a Information on interest on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	1.120	5.005	4.422	3.430
The Central Bank of Turkey	405	-	49	-
Domestic Banks	710	456	4.366	338
Foreign Banks	5	4.549	7	3.092
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions (*)	-	50.313	-	30.106
<b>Total</b>	<b>1.120</b>	<b>55.318</b>	<b>4.422</b>	<b>33.536</b>

(\*) Commissions given to other financial institutions have been included in interest expense on funds borrowed.

**2.b Information on interest expenses to associates and subsidiaries:**

The Group has no interest expense to its associates and subsidiaries.

**3. Information on net trading income (net)**

	Current Period	Prior Period
<b>Profit</b>	<b>547.124</b>	<b>293.195</b>
Gains on capital market operations	6.554	8.358
Gains on derivative financial instruments (*)	148.871	70.027
Foreign exchange gains	391.699	214.810
<b>Losses (-)</b>	<b>(570.654)</b>	<b>(283.726)</b>
Losses on capital market operations	(6.729)	(9.975)
Losses on derivative financial instruments (*)	(183.603)	(70.633)
Foreign exchange losses	(380.322)	(203.118)

(\*) Foreign exchange gain from derivative transactions amounting to TL 94.392 is presented in "Profit on derivative financial instruments" (30 September 2010: TL 29.702), foreign exchange loss from derivative transactions amounting to TL (123.435) is presented in "Losses on derivative financial instruments" (30 September 2010: TL (32.532)).

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**4. Information related to other operating income**

	<b>Current Period</b>	<b>Prior Period</b>
Provisions Released	9.593	18.500
Gains on Sale of Assets	4.293	776
From Associate and Subsidiary Sales	-	375
From Immovable Fixed Asset Sales	-	-
From Property Sales	-	41
From Other Asset Sales	4.293	360
Other	8.604	8.604
<b>Total</b>	<b>22.490</b>	<b>27.880</b>

**5. Provision expenses related to loans and other receivables of the Group**

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions for loans and other receivables	7.059	8.846
III. Group	6.713	8.767
IV. Group	-	-
V. Group	346	79
General provision expenses	11.856	2.788
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	8.384	6.804
Trading securities	2.903	230
Investment securities available for sale	5.481	6.574
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	-	-
Other	3.780	1.370
<b>Total</b>	<b>31.079</b>	<b>19.808</b>

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**6. Information related to other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel expenses	38.326	33.865
Reserve for employee termination benefits	377	384
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	1.793	1.954
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	293	239
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	41	50
Depreciation expenses of assets held for resale	587	882
Impairment expenses of assets held for sale	-	-
Other operating expenses	12.890	18.072
Rent expenses	2.058	1.735
Maintenance expenses	1.045	983
Advertisement expenses	1.161	2.596
Other expenses	8.626	12.758
Loss on sale of assets	161	50
Other	12.092	12.102
<b>Total</b>	<b>66.560</b>	<b>67.598</b>

**7. Information on tax provision for continued and discontinued operations:**

**7.a Information on current tax charge or benefit and deferred tax charge or benefit**

The Group's current tax charge for the period is TL 38.151 (30 September 2010: TL 41.102). Deferred tax charge is TL 6.647 (30 September 2010: TL 5.404).

**7.b Information related to deferred tax benefit or charge on temporary differences:**

Deferred tax charge calculated on temporary differences is TL 6.647 (30 September 2010: TL 5.404).

**7.c Information related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions:**

For the interim period ended 30 September 2011, deferred tax charge calculated based on temporary timing differences is TL 6.647 (30 September 2010: TL 5.404). There is no deferred tax benefit or charge reflected to income statement on carry forward tax losses, tax deductions and exceptions (30 September 2010: None).

In addition, TL 8.433 deferred tax, which is calculated over the fair value differences on available for sale securities, is offset against the "available for sale securities value increase fund" item under equity (31 December 2010: TL 14.758).

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**8. Information on profit/loss before tax from continued and discontinued operations before tax:**

For the interim period ended 30 September 2011, profit before tax of the Group has decreased by 6,05% compared to the prior year (30 September 2010: 32,91% increase).

**9. Information on net profit/loss**

**9.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period**

The Group has generated TL 394.011 interest income, TL 128.374 interest expenses, TL 23.334 net fee and commission income from banking operations (30 September 2010: TL 349.338 interest income, TL 113.781 interest expenses, TL 24.388 net fee and commission income).

**9.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

There is no change in the accounting estimates effecting the financial statement items.

**9.c Non-controlling interest profit and loss:**

The current period loss attributable to non-controlling interest is TL (7.126) (30 September 2010: TL 5.078 profit). The total shareholders' equity, including current year profit attributable to non-controlling interest is TL 91.808 (31 December 2010: TL 99.916).

**10. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:**

	<b>Current Period</b>	<b>Prior Period</b>
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	12.531	16.497
Commissions from Initial Public Offering	527	2.833
Investment Fund Management Income	3.640	1.868
Other	2.781	4.340
<b>Total</b>	<b>19.479</b>	<b>25.538</b>

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**V. Explanations on the risk group of the Parent Bank**

**1. Information on the volume of transactions related to the Parent Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period:**

**1.a Current period:**

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities 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	59.853	345	98.978	117.413	39.538	-
Balance at the end of the period	59.463	487	55.895	117.413	42.003	-
Interest and commission income	1.184	5	1.401	220	1.491	

**1.b Prior period:**

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities 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	56.526	334	39.691	117.413	39.585	1
Balance at the end of the period	59.853	345	98.978	117.413	39.538	-
Interest and commission income(*)	715	3	932	220	1.505	-

(\*) The information is related to 30 September 2010.

**1.c Information on deposit held by Parent Bank's own risk group**

The Parent Bank is not authorized to accept deposits.

**2. Information on forward and option agreements and other similar agreements made with related parties:**

The Parent Bank has foreign currency swap buy transactions amounting to TL 64.750 and foreign currency swap sell transactions amounting to TL 62.425 with the Parent Bank's risk group. Such transactions have been eliminated during consolidation.

**3. Total salaries and similar benefits provided to the key management personnel**

Benefits provided to key management personnel in the current period amount to TL 7.234 (30 September 2010: TL 6.880).



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**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other explanations related to the operations of the Parent Bank**

**I.a Brief information related to rating carried out by international rating firms:**

**FITCH RATINGS**

Long-term Maturity Foreign Currency (issuer)	BA1
Long-term Maturity Foreign Currency Outlook (issuer)	Positive
Short-term Maturity Foreign Currency (issuer)	NP
Long-term Maturity Local Currency (issuer)	BAA2
Long-term Maturity Local Currency Outlook (issuer)	Stable
Short-term Maturity Local Currency (issuer)	P-2
Financial Rating Note	D+
Financial Rating Note Outlook	Stable

Information above is received from Fitch Ratings report dated 9 May 2011.

**MOODY'S**

Financial Rating Note	D+
Outlook	Stable
Foreign Currency	
Long-term Maturity	BA1
Outlook (*)	Positive
Short-term Maturity	N/P

Information above is received from Moody's Investors Service report dated 17 May 2011.

**II. Other explanations related to the events after the reporting date**

**Changes in required reserve ratios**

Published in the Official Gazette No. 28076 dated 6 October 2011 and Official Gazette No. 28098 dated 28 October 2011 and No. 2005/1 on the "Amendment of the Communiqué on the Required Provisions Scale obligation", new ratios for foreign currency and Turkish Lira liabilities required reserve ratios stated below respectively:

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**SECTION SIX**

**OTHER EXPLANATIONS (Continued)**

**II. Other explanations related to the events after the reporting date (continued)**

**Changes in required reserve ratios (continued)**

	<b>Required Reserve Ratio (%)</b>
<b>Foreign Currency Liabilities</b>	
Foreign currency demand deposits, notice deposits, foreign currency private current accounts and deposits/participation accounts up to 1 month,3 months,6 months and 1 year maturity	11
Foreign currency deposits/participation accounts with 1 year and longer maturity	9
Other accounts up to 1 year maturity (including 1 year)	11
Other accounts up to 3 years maturity (including 3 years)	9
Other accounts longer than 3 years maturity	6

	<b>Required Reserve Ratio (%)</b>
<b>Turkish Lira Liabilities</b>	
Demand deposits, notice deposits and private current accounts	11
Deposits/participation accounts up to 1 month maturity (including 1 month)	11
Deposits/participation accounts up to 3 month maturity (including 3 month)	11
Deposits/participation accounts up to 6 month maturity (including 6 month)	8
Deposits/participation accounts up to 1 year maturity	6
Deposits/participation accounts with 1 year and longer maturity and cumulative deposits/participation accounts	5
Other accounts up to 1 year maturity (including 1 year)	11
Other accounts up to 3 years maturity (including 3 years)	8
Other accounts longer than 3 years maturity	5

In addition, published in the Official Gazette No. 28103 dated 2 November 2011 and No. 2005/1 on the “Amendment of the Communiqué on the Required Provisions Scale obligation”, subparagraph “a” of the 4th paragraph of Article 6 has been changed as follows:

At most, 40% of Turkish Lira required reserve shall be maintained in USD and/or Euro, and at most 10% of it shall be maintained in gold.

**SECTION SEVEN**

**INDEPENDENT AUDITORS’ REVIEW REPORT**

**I. Explanations on the independent auditors’ review report**

Consolidated financial statements and the notes to the consolidated financial statements as at 30 September 2011 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (“the Turkish member firm of KPMG International, a Swiss entity”). The independent auditors’ review report dated 3 November 2011 is presented at the beginning of the consolidated financial statements and related notes.

**II. Explanations and notes prepared by independent auditors**

There are no other explanations and notes not expressed in sections above related with the Group’s operations.