



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

**Consolidated Interim Financial Statements  
As of and for the Six-Month Period Ended 30 June 2012  
(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

8 August 2012

*This report contains "Independent Auditors'  
Review Report" comprising 1 page and;  
"Consolidated Financial Statements and Related  
Disclosures and Footnotes" comprising 72  
pages.*



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavak Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 29  
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00  
Fax +90 (216) 681 90 90  
Internet www.kpmg.com.tr

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

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 June 2012 and the related consolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the six-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 June 2012 and the consolidated results of its operations and its consolidated cash flows for the six-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, explanations and circulars on accounting and financial reporting principles announced by BRSA.

Istanbul,  
8 August 2012

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 1, 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 SIX MONTHS PERIOD ENDED JUNE 30, 2012**

E-Mail Address for Contact Person: [goktasn@tskb.com.tr](mailto:goktasn@tskb.com.tr)

The consolidated financial report designed for the six 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**

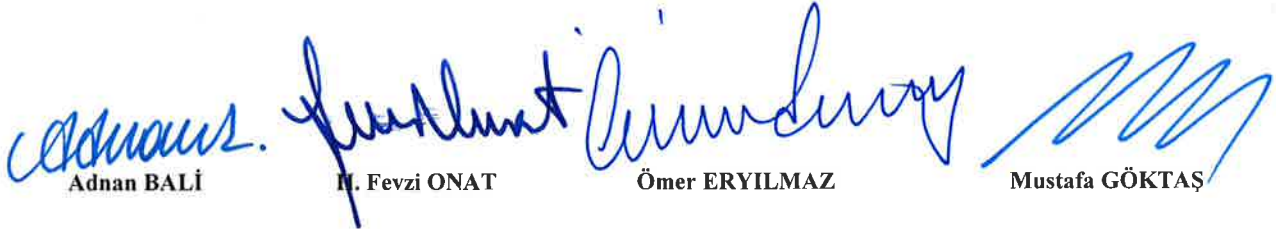
Yatırım Finansman Menkul Değerler A.Ş.  
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.  
TSKB Yatırım Ortaklığı A.Ş.

**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 six 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.

August 8, 2012



**Chairman of  
Board of Directors**

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

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

**Head of Financial  
Control Department**



**M. Baran TUNCER**

**Member of Audit Committee**



**Kemal Serdar DIŞLI**

**Member of Audit Committee**



**Murat BİLGİC**

**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 JUNE 2012**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b><u>Name Surname/Commercial Title</u></b>	<b><u>Capital</u></b>	<b><u>Rate (%)</u></b>	<b><u>Capital</u></b>	<b><u>Capital</u></b>
T. İş Bankası A.Ş. Group	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	457.834	41,62	457.834	-
Physically Under Custody (Other Institutions and Individuals)	13	-	13	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</b>	<b>-</b>

<b>Prior Period</b>	<b>Share</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b><u>Name Surname/Commercial Title</u></b>	<b><u>Capital</u></b>	<b><u>Rate (%)</u></b>	<b><u>Capital</u></b>	<b><u>Capital</u></b>
T. İş Bankası A.Ş. Group	400.001	50,00	400.001	-
T. Vakıflar Bankası T.A.O.	67.020	8,38	67.020	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	332.969	41,62	332.969	-
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>

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012**  
(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	Undergraduate		25 years
Vice Chairman of the Board of Directors	Mehmet Şencan	Undergraduate		23 years
Members of the Board of Directors	Durmuş Yılmaz (2)	Postgraduate		31 years
	Mustafa Baran Tuncer	Doctorate		28 years
	Ertan Burhanettin Kantar	Undergraduate		16 years
	Kemal Serdar Dışlı	Undergraduate		19 years
	Murat Bilgiç	Postgraduate		15 years
	Yonca Koçak	Undergraduate		20 years
	Mehmet Coşkun Cangöz	Doctorate		10 years
	Uygar Şafak Ögün	Postgraduate		15 years
Members of the Board of Directors and General Manager	H. Fevzi Onat	Undergraduate	General Manager	30 years
Members of Audit Committee	M. Baran Tuncer	Doctorate		28 years
	Kemal Serdar Dışlı	Postgraduate		19 years
	Murat Bilgiç	Postgraduate		15 years
Senior Executive Vice Presidents	A.Orhan Beşkök	Postgraduate	Technical Services and Financial Institutions	19 years
Vice Presidents	Burak Akgüç	Undergraduate	Corporate Marketing	14 years
	Ömer Eryılmaz	Undergraduate	Financial Control and Securities	20 years
	Çiğdem İçel	Undergraduate	Treasury and Human Resources	17 years
	Ufuk Bala Yücel	Undergraduate	Project Finance and Loans	20 years
	B. Gökhan Çanakpınar	Undergraduate	Information Technologies and Loan-Treasury Operations	21 years
Statutory Auditors	Volkan Kublay	Undergraduate	Auditor	11 years
	Hamide Esma Uygun Çelikten	Undergraduate	Auditor	14 years
<u>Changes</u>	<u>Resigned</u>	<u>Appointed</u>		
<u>Title</u>				
Member of the Board of Directors	Yavuz Canevi (2)	Durmuş Yılmaz (2)		

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

(2) In the General Assembly meeting held on 26 March 2012, because of Mr. Yavuz Canevi's expiration of the duty period, Mr. Durmuş Yılmaz was elected as the Board of Directors Member for three years period.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012**  
(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	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	457.834	41,62	457.834	-
Physically Under Custody (Other Institutions and Individuals)	13	-	13	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</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	400.001	50,00	400.001	-
T. Vakıflar Bankası T.A.O.	67.020	8,38	67.020	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	332.969	41,62	332.969	-
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>

**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 the Middle East and exercise all activities including capital market transactions and giving foreign currency loans. In the Board of Directors meeting held on 25 January 2012; it was decided to close the Bahrain Branch of the Parent Bank and in this context, General Management was authorized for the required operations. In accordance with the decision, the Parent Bank management has started to executions in order to terminate the Bahrain Branch activities. It is expected to close the branch following the completion of legal procedures in Bahrain in the current year.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AT 30 JUNE 2012**

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

		Reviewed Current Period 30 June 2012			Audited Prior Period 31 December 2011			
ASSETS		Note Ref.	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	40.240	141.670	181.910	5.457	115.652	121.109
II.	FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	68.059	20.042	88.101	115.857	34.468	150.325
2.1	Trading financial assets		68.059	20.042	88.101	115.857	34.468	150.325
2.1.1	Public sector debt securities		31.317	684	32.001	83.623	716	84.339
2.1.2	Share certificates		14.620	-	14.620	15.239	-	15.239
2.1.3	Derivative financial assets held for trading		8.229	19.358	27.587	11.601	33.752	45.353
2.1.4	Other marketable securities		13.893	-	13.893	5.394	-	5.394
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)	35.510	306.981	342.491	19.045	406.181	425.226
IV.	MONEY MARKET PLACEMENTS		1.064	-	1.064	109.365	-	109.365
4.1	Interbank money market placements		-	-	-	102.102	-	102.102
4.2	Istanbul Stock Exchange money market placements		797	-	797	335	-	335
4.3	Receivables from reverse repurchase agreements		267	-	267	6.928	-	6.928
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.240.760	493.863	2.734.623	1.745.840	571.043	2.316.883
5.1	Share certificates		23.739	2.957	26.696	23.575	2.957	26.532
5.2	Public sector debt securities		2.012.091	321.360	2.333.451	1.617.661	378.877	1.996.538
5.3	Other marketable securities		204.930	169.546	374.476	104.604	189.209	293.813
VI.	LOANS	(5)	1.657.115	4.763.122	6.420.237	1.793.408	4.473.548	6.266.956
6.1	Loans		1.657.115	4.763.122	6.420.237	1.793.408	4.473.548	6.266.956
6.1.1	Loans to risk group of the Bank		100.896	117.900	218.796	85.465	99.149	184.614
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		1.556.219	4.645.222	6.201.441	1.707.943	4.374.399	6.082.342
6.2	Non performing loans		10.530	11.459	21.989	12.989	14.709	27.698
6.3	Specific provisions (-)		(10.530)	(11.459)	(21.989)	(12.989)	(14.709)	(27.698)
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(6)	-	-	-	126.955	-	126.955
8.1	Public sector debt securities		-	-	-	126.955	-	126.955
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	199.739	-	199.739	191.563	-	191.563
9.1	Accounted for under equity method		198.348	-	198.348	190.472	-	190.472
9.2	Unconsolidated associates		1.391	-	1.391	1.091	-	1.091
9.2.1	Financial investments		-	-	-	-	-	-
9.2.2	Non-financial investments		1.391	-	1.391	1.091	-	1.091
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	842	-	842	842	-	842
10.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated non-financial subsidiaries		842	-	842	842	-	842
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	10	-	10	10	-	10
11.1	Consolidated under equity method		-	-	-	-	-	-
11.2	Unconsolidated		10	-	10	10	-	10
11.2.1	Financial subsidiaries		-	-	-	-	-	-
11.2.2	Non-financial subsidiaries		10	-	10	10	-	10
XII.	LEASE RECEIVABLES (Net)	(10)	-	15.525	15.525	-	28.400	28.400
12.1	Finance lease receivables		-	16.107	16.107	-	29.577	29.577
12.2	Operating lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income ( - )		-	(582)	(582)	-	(1.177)	(1.177)
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)		24.237	-	24.237	24.222	2	24.224
XV.	INTANGIBLE ASSETS (Net)		1.959	-	1.959	1.870	-	1.870
15.1	Goodwill		1.005	-	1.005	1.005	-	1.005
15.2	Other		954	-	954	865	-	865
XVI.	INVESTMENT PROPERTY (Net)	(12)	228.600	-	228.600	226.805	-	226.805
XVII.	TAX ASSET	(13)	10.064	-	10.064	17.332	-	17.332
17.1	Current tax asset		1.277	-	1.277	1.668	-	1.668
17.2	Deferred tax asset		8.787	-	8.787	15.664	-	15.664
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)	28.068	24.777	52.845	74.885	50.884	125.769
TOTAL ASSETS			4.536.267	5.765.980	10.302.247	4.453.456	5.680.178	10.133.634

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 JUNE 2012**

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

		Reviewed Current Period 30 June 2012			Audited Prior Period 31 December 2011		
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)	1.952	16.419	18.371	6.470	42.273	48.743
<b>III. FUNDS BORROWED</b>	(3)	-	6.660.037	6.660.037	23.763	6.761.772	6.785.535
<b>IV. MONEY MARKET BALANCES</b>		1.358.594	215.513	1.574.107	1.190.401	177.962	1.368.363
4.1 Interbank money market takings		254.141	-	254.141	420.609	-	420.609
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		1.104.453	215.513	1.319.966	769.792	177.962	947.754
<b>V. DEBT SECURITIES ISSUED (Net)</b>		5	-	5	-	-	-
5.1 Bills		5	-	5	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		2.700	5.582	8.282	1.559	6.335	7.894
6.1 Borrower funds		2.700	5.582	8.282	1.559	6.335	7.894
6.2 Others		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		76.848	18.615	95.463	128.180	20.480	148.660
<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	-	2	2
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	(2)	(2)	-	(2)	(2)
<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)	117.252	-	117.252	104.670	-	104.670
12.1 General loan loss provisions		72.023	-	72.023	58.491	-	58.491
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		7.331	-	7.331	5.859	-	5.859
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		37.898	-	37.898	40.320	-	40.320
<b>XIII. TAX LIABILITY</b>	(9)	25.379	-	25.379	17.668	-	17.668
13.1 Current tax liability		25.379	-	25.379	17.668	-	17.668
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)	-	90.490	90.490	-	95.000	95.000
<b>XVI. SHAREHOLDERS' EQUITY</b>	(10)	1.671.650	41.211	1.712.861	1.537.095	20.006	1.557.101
16.1 Paid-in capital		1.100.000	-	1.100.000	800.000	-	800.000
16.2 Capital reserves		42.829	41.211	84.040	29.115	20.006	49.121
16.2.1 Share premium		413	-	413	413	-	413
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		6.885	41.211	48.096	(2.846)	20.006	17.160
16.2.4 Tangible assets revaluation differences		35.157	-	35.157	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		202.048	-	202.048	300.572	-	300.572
16.3.1 Legal reserves		125.911	-	125.911	97.975	-	97.975
16.3.2 Statutory reserves		60.277	-	60.277	47.510	-	47.510
16.3.3 Extraordinary reserves		12.940	-	12.940	152.167	-	152.167
16.3.4 Other profit reserves		2.920	-	2.920	-	-	2.920
16.4 Profit or loss		224.628	-	224.628	310.617	-	310.617
16.4.1 Prior years' profit/loss		54.854	-	54.854	49.854	-	49.854
16.4.2 Current year profit/loss		169.774	-	169.774	260.763	-	260.763
16.5 Non-controlling interests	(11)	102.145	-	102.145	96.791	-	96.791
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.254.380</b>	<b>7.047.867</b>	<b>10.302.247</b>	<b>3.009.806</b>	<b>7.123.828</b>	<b>10.133.634</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 JUNE 2012**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Reviewed Current Period 30 June 2012			Audited Prior Period 31 December 2011		
	Note Ref.	TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>2.489.927</b>	<b>6.120.429</b>	<b>8.610.356</b>	<b>2.992.808</b>	<b>7.744.816</b>	<b>10.737.624</b>
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	<b>306.267</b>	<b>1.042.397</b>	<b>1.348.664</b>	<b>298.455</b>	<b>970.524</b>	<b>1.268.979</b>
1.1 Letters of guarantee		285.629	379.403	665.032	278.215	411.262	689.477
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		285.629	379.403	665.032	278.215	411.262	689.477
1.2 Bank acceptances		-	3.174	3.174	-	3.333	3.333
1.2.1 Import letters of acceptance		-	3.174	3.174	-	3.333	3.333
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	659.820	659.820	-	555.929	555.929
1.3.1 Documentary letters of credit		-	659.820	659.820	-	555.929	555.929
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		20.638	-	20.638	20.240	-	20.240
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>1.435.890</b>	<b>2.374.011</b>	<b>3.809.901</b>	<b>1.513.692</b>	<b>2.985.994</b>	<b>4.499.686</b>
2.1 Irrevocable commitments		618.368	149.116	767.484	468.568	146.519	615.087
2.1.1 Forward asset purchase and sales commitments		52.709	131.632	184.341	22.145	128.179	150.324
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		-	6.635	6.635	-	6.968	6.968
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		565.659	10.849	576.508	446.423	11.372	457.795
2.2 Revocable commitments		817.522	2.224.895	3.042.417	1.045.124	2.839.475	3.884.599
2.2.1 Revocable loan granting commitments		817.522	2.224.895	3.042.417	1.045.124	2.839.475	3.884.599
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>747.770</b>	<b>2.704.021</b>	<b>3.451.791</b>	<b>1.180.661</b>	<b>3.788.298</b>	<b>4.968.959</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		747.770	2.704.021	3.451.791	1.180.661	3.788.298	4.968.959
3.2.1 Forward foreign currency buy/sell transactions		234.758	259.942	494.700	361.494	873.353	1.234.847
3.2.1.1 Forward foreign currency transactions-buy		172.131	76.679	248.810	277.535	341.027	618.562
3.2.1.2 Forward foreign currency transactions-sell		62.627	183.263	245.890	83.959	532.326	616.285
3.2.2 Swap transactions related to f.c. and interest rates		239.209	2.089.821	2.329.030	172.378	2.092.041	2.264.419
3.2.2.1 Foreign currency swaps-buy		225.139	86.138	311.277	158.308	285.670	443.978
3.2.2.2 Foreign currency swaps-sell		14.070	287.441	301.511	14.070	429.455	443.525
3.2.2.3 Interest rate swaps-buy		-	858.121	858.121	-	688.458	688.458
3.2.2.4 Interest rate swaps-sell		-	858.121	858.121	-	688.458	688.458
3.2.3 Foreign currency, interest rate and securities options		268.457	352.099	620.556	644.850	822.904	1.467.754
3.2.3.1 Foreign currency options-buy		153.586	139.544	293.130	322.425	386.498	708.923
3.2.3.2 Foreign currency options-sell		114.871	174.231	289.102	322.425	386.498	708.923
3.2.3.3 Interest rate options-buy		-	19.162	19.162	-	24.954	24.954
3.2.3.4 Interest rate options-sell		-	19.162	19.162	-	24.954	24.954
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		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		5.346	2.159	7.505	1.939	-	1.939
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>5.766.492</b>	<b>71.732.262</b>	<b>77.498.754</b>	<b>6.545.437</b>	<b>63.816.275</b>	<b>70.361.712</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1.490.722</b>	<b>266.848</b>	<b>1.757.570</b>	<b>1.113.363</b>	<b>228.512</b>	<b>1.341.875</b>
4.1 Customers' securities held		39.994	-	39.994	31.722	-	31.722
4.2 Investment securities held in custody		327.474	266.848	594.322	311.484	228.512	539.996
4.3 Checks received for collection		-	-	-	-	-	-
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		18.419	-	18.419	18.402	-	18.402
4.8 Custodians		1.104.835	-	1.104.835	751.755	-	751.755
<b>V. PLEDGED ITEMS</b>		<b>3.307.797</b>	<b>46.968.652</b>	<b>50.276.449</b>	<b>4.489.581</b>	<b>38.583.829</b>	<b>43.073.410</b>
5.1 Marketable securities		2.935	1.066.304	1.069.239	2.931	1.282.865	1.285.796
5.2 Guarantee notes		60.014	1.356.878	1.416.892	67.993	1.574.739	1.642.732
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		112.594	15.495.340	15.607.934	112.594	6.912.897	7.025.491
5.6 Other pledged items		3.132.254	29.050.130	32.182.384	4.306.063	28.813.328	33.119.391
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS</b>		<b>967.973</b>	<b>24.496.762</b>	<b>25.464.735</b>	<b>942.493</b>	<b>25.003.934</b>	<b>25.946.427</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>8.256.419</b>	<b>77.852.691</b>	<b>86.109.110</b>	<b>9.538.245</b>	<b>71.561.091</b>	<b>81.099.336</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 SIX-MONTH PERIOD ENDED 30 JUNE 2012**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note Ref.	Reviewed Current Period 1 January – 30 June 2012	Reviewed Prior Period 1 January – 30 June 2011	Reviewed Current Period 1 April – 30 June 2012	Reviewed Prior Period 1 April – 30 June 2011
<b>I. INTEREST INCOME</b>	(1)	<b>306.673</b>	<b>252.272</b>	<b>158.395</b>	<b>121.487</b>
1.1 Interest income on loans		160.956	133.826	84.313	67.655
1.2 Interest received from reserve deposits		-	-	-	-
1.3 Interest received from banks		8.664	19.199	3.932	8.622
1.4 Interest received from money market placements		5.914	95	496	79
1.5 Interest received from marketable securities portfolio		130.256	97.789	69.104	44.522
1.5.1 Financial assets held for trading		3.084	2.942	1.471	1.387
1.5.2 Financial assets at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		119.479	76.878	67.633	34.658
1.5.4 Investments held-to-maturity		7.693	17.969	-	8.477
1.6 Finance lease income		763	1.241	474	567
1.7 Other interest income		120	122	76	42
<b>II. INTEREST EXPENSES</b>	(2)	<b>(101.455)</b>	<b>(84.582)</b>	<b>(53.147)</b>	<b>(43.513)</b>
2.1 Interest on deposits		-	-	-	-
2.2 Interest on funds borrowed		(47.093)	(34.607)	(24.188)	(19.312)
2.3 Interest on money market borrowings		(54.291)	(46.519)	(28.924)	(23.238)
2.4 Interest on securities issued		-	(3.449)	-	(960)
2.5 Other interest expenses		(71)	(7)	(35)	(3)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>205.218</b>	<b>167.690</b>	<b>105.248</b>	<b>77.974</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>12.773</b>	<b>15.673</b>	<b>6.837</b>	<b>6.607</b>
4.1 Fees and commissions received		14.412	16.552	7.634	6.925
4.1.1 Non-cash loans		4.192	3.129	2.126	728
4.1.2 Other	(10)	10.220	13.423	5.508	6.197
4.2 Fees and commissions paid		(1.639)	(879)	(797)	(318)
4.2.1 Non-cash loans		(541)	(1)	(236)	-
4.2.2 Other		(1.098)	(878)	(561)	(318)
<b>V. DIVIDEND INCOME</b>		<b>5.611</b>	<b>5.218</b>	<b>5.589</b>	<b>3.305</b>
<b>VI. TRADING INCOME / LOSSES (Net)</b>	(3)	<b>27.918</b>	<b>(9.281)</b>	<b>9.987</b>	<b>(8.625)</b>
6.1 Securities trading gains/losses		3.525	(488)	807	(1.028)
6.2 Derivative financial instruments gains/losses		34.688	(122)	318	(835)
6.3 Foreign exchange gains/losses (net)		(10.295)	(8.671)	8.862	(6.762)
<b>VII. OTHER OPERATING INCOME</b>	(4)	<b>20.404</b>	<b>17.868</b>	<b>14.488</b>	<b>12.920</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>271.924</b>	<b>197.168</b>	<b>142.149</b>	<b>92.181</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(5)	<b>(14.860)</b>	<b>(9.334)</b>	<b>(11.940)</b>	<b>(426)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(6)	<b>(49.792)</b>	<b>(48.976)</b>	<b>(25.904)</b>	<b>(24.376)</b>
<b>XI. NET OPERATING INCOME/LOSS (VIII-IX-X)</b>		<b>207.272</b>	<b>138.858</b>	<b>104.305</b>	<b>67.379</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS INCOME RESULTED FROM MERGER</b>		-	-	-	-
<b>XIII. PROFIT/LOSS ON EQUITY METHOD</b>		<b>9.047</b>	<b>10.805</b>	<b>6.051</b>	<b>6.261</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV. PROFIT/LOSS FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>	(8)	<b>216.319</b>	<b>149.663</b>	<b>110.356</b>	<b>73.640</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(7)	<b>(41.191)</b>	<b>(30.392)</b>	<b>(22.444)</b>	<b>(14.633)</b>
16.1 Current tax charge		(42.172)	(25.295)	(22.188)	(13.114)
16.2 Deferred tax charge		981	(5.097)	(256)	(1.519)
<b>XVII. NET PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI)</b>		<b>175.128</b>	<b>119.271</b>	<b>87.912</b>	<b>59.007</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</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>		-	-	-	-
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>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)</b>		-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(9)	<b>175.128</b>	<b>119.271</b>	<b>87.912</b>	<b>59.007</b>
23.1 Group's profit / loss		169.774	122.290	86.176	60.611
23.2 Non-controlling interests		5.354	(3.019)	1.736	(1.604)
Earnings / (losses) per share		0,159	0,108	0,080	0,054

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 SIX-MONTH PERIOD ENDED 30 JUNE 2012**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Reviewed Current Period 1 January 2012 – 30 June 2012	Reviewed Prior Period 1 January 2011– 30 June 2011
<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>39.965</b>	<b>(20.084)</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	-	-
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion of fair value differences)</b>	-	-
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS</b>	-	-
<b>VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>(1.171)</b>	<b>(1.667)</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>(7.858)</b>	<b>3.703</b>
<b>X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>30.936</b>	<b>(18.048)</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>175.128</b>	<b>119.271</b>
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	(920)	(539)
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	176.048	119.810
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>206.064</b>	<b>101.223</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 SIX-MONTH PERIOD ENDED 30 JUNE 2012**  
(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 June 2011																		
II.	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
2.1	Correction made as per TAS 8																		
2.2	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (I+II)	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
<b>Changes during the period</b>																			
IV.	Increase / Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities value increase fund	-	-	-	-	-	-	-	-	-	-	(18.048)	-	-	-	-	(18.048)	-	(18.048)
VI.	Hedging (Effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in equities of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	100.000	-	-	-	-	-	-	-	-	(100.000)	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	100.000	-	-	-	-	-	-	-	-	(100.000)	-	-	-	-	-	-	-	-
XV.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	The effect of inflation on paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Current period net profit/loss	-	-	-	-	-	-	-	-	122.290	-	-	-	-	-	-	-	-	-
XX.	Profit distribution	-	-	-	-	22.417	10.581	33.728	-	-	(113.925)	-	-	-	-	-	122.290 (47.199)	(3.019) (982)	119.271 (48.181)
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(47.199)	-	-	-	-	-	(47.199)	(982)	(48.181)
20.2	Transfers to reserves	-	-	-	-	22.417	10.581	33.728	-	-	(66.726)	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Closing Balance</b>	<b>800.000</b>	<b>374</b>	<b>413</b>	<b>-</b>	<b>97.975</b>	<b>47.510</b>	<b>152.167</b>	<b>2.920</b>	<b>122.290</b>	<b>49.854</b>	<b>50.971</b>	<b>31.174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.355.648</b>	<b>95.915</b>	<b>1.451.563</b>
<b>Current Period – 30 June 2012</b>																			
I.	Opening Balance	800.000	374	413	-	97.975	47.510	152.167	2.920	-	310.617	17.160	31.174	-	-	-	1.460.310	96.791	1.557.101
II.	Increase / Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities value increase fund	-	-	-	-	-	-	-	-	-	-	30.936	-	-	-	-	30.936	-	30.936
IV.	Hedging (Effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	(3.983)	-	3.983	-	-	-	-	-	-
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	300.000	-	-	-	-	-	(163.000)	-	-	(137.000)	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	300.000	-	-	-	-	-	(163.000)	-	-	(137.000)	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	The effect of inflation on paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	175	-	-	-	-	-	-	-	-	175	-	175
XVII.	Current period net profit/loss	-	-	-	-	-	-	-	-	169.774	-	-	-	-	-	-	169.774	5.354	175.128
XVIII.	Profit distribution	-	-	-	-	27.936	12.767	23.598	-	-	(114.780)	-	-	-	-	-	(50.479)	-	(50.479)
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(50.479)	-	-	-	-	-	(50.479)	-	(50.479)
18.2	Transfers to reserves	-	-	-	-	27.936	12.767	23.598	-	-	(64.301)	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Closing Balance</b>	<b>1.100.000</b>	<b>374</b>	<b>413</b>	<b>-</b>	<b>125.911</b>	<b>60.277</b>	<b>12.940</b>	<b>2.920</b>	<b>169.774</b>	<b>54.854</b>	<b>48.096</b>	<b>35.157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.610.716</b>	<b>102.145</b>	<b>1.712.861</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 CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

	Reviewed Current Period 30 June 2012	Reviewed Prior Period 30 June 2011
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>142.589</b>	<b>403.590</b>
1.1.1 Interest received	290.173	292.890
1.1.2 Interest paid	(103.255)	(89.017)
1.1.3 Dividends received	5.611	5.634
1.1.4 Fees and commissions received	14.412	16.552
1.1.5 Other income	62.099	24.487
1.1.6 Collections from previously written off loans and other receivables	1.293	5.238
1.1.7 Payments to personnel and service suppliers	(40.372)	(32.967)
1.1.8 Taxes paid	(33.574)	(25.283)
1.1.9 Others	(53.798)	206.056
<b>1.2 Changes in operating assets and liabilities</b>	<b>22.174</b>	<b>(343.472)</b>
1.2.1 Net (increase) decrease in financial assets held for trading	43.235	10.337
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	-	-
1.2.4 Net (increase) decrease in loans	(565.907)	(468.210)
1.2.5 Net (increase) decrease in other assets	65.930	(43.340)
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	325.433	208.021
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	153.483	(50.280)
<b>I. Net cash provided from banking operations</b>	<b>164.763</b>	<b>60.118</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash provided from investing activities</b>	<b>(263.305)</b>	<b>151.302</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(300)	(1.030)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	-	-
2.3 Purchases of tangible assets	(3.840)	(2.656)
2.4 Sales of tangible assets	1.283	10.592
2.5 Cash paid for purchase of financial assets available for sale	(355.928)	(22.738)
2.6 Cash obtained from sale of financial assets available for sale	-	-
2.7 Cash paid for purchase of investments held to maturity	-	-
2.8 Cash obtained from sale of investments held to maturity (*)	95.787	167.390
2.9 Others	(307)	(256)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash provided from financing activities</b>	<b>(50.476)</b>	<b>(189.975)</b>
3.1 Cash obtained from funds borrowed and securities issued	-	-
3.2 Cash used for repayment of funds borrowed and securities issued	3	(141.794)
3.3 Equity instruments issued	-	-
3.4 Dividends paid	(50.479)	(48.181)
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>(1.456)</b>	<b>5.218</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>	<b>(150.474)</b>	<b>26.663</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>534.689</b>	<b>564.646</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>384.215</b>	<b>591.309</b>

(\*)The amount comprises of the Parent Bank's held to maturity investment that was redeemed on 15 February 2012.

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 JUNE 2012**  
(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 Articles 37 and 38 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 in accordance with the “Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks” and Turkish Accounting Standards, Turkish Financial Reporting Standards promulgated by Turkish Accounting Standards Board (“TASB”) and other regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA.

Per decree No 660 published in the Official Gazette dated 2 November 2011 and became effective, additional article No:1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“the Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective.

Amounts in the consolidated 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 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 consolidated financial position and consolidated results of operations 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 Turkish Accounting Standards, Turkish Financials Reporting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXV.

**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 indebtedness 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 JUNE 2012**  
(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 June 2012.

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 1s7 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.

In the Board of Directors meeting of the subsidiary of the Parent Bank, TSKB Yatırım Ortaklığı Anonim Şirketi, held on 14 December 2011 numbered 230, it was decided to merge with İş Yatırım Ortaklığı Anonim Şirketi registered on Istanbul Trade Register Office with registration numbered 367835, within the Turkish Commercial Code 451 and 19 and 20th clauses of Corporate Tax Law numbered 5520. Management of TSKB Yatırım Ortaklığı A.Ş. is authorized for all of the required issues. According to expert studies and reports for merging of TSKB Yatırım Ortaklığı A.Ş and İş Yatırım Ortaklığı A.Ş., the share exchange rate was determined as 89,23%.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012**  
(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 (continued)**

**TSKB Yatırım Ortaklığı A.Ş.: (continued)**

Accordingly, 0,08923 piaster share of İş Yatırım Ortaklığı A.Ş. has given for every 0,01 piaster nominal share of TSKB Yatırım Ortaklığı A.Ş.. After merger, the paid in capital of İş Yatırım Ortaklığı A.Ş. has raised to 16.059.928.400 share, amounting to TL 160.599 and share of the Bank became 3,15%. In order to generate a final partnership structure, in accordance with net asset values of the companies mentioned above, the Parent Bank shall transfer A group share to İş Yatırım Menkul Değerler A.Ş. amounting to TL 1.884 and shall take same amount B group share in return.

**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.

**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.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IV. Explanations on forward and option contracts and derivative instruments (continued)**

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 liabilities 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.

**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.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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.

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 fulfilment of such intention, including the funding ability. This portfolio excludes loans and receivables.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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.

As of the reporting date, the Parent Bank has begun to calculate internal rate of return of the CPI indexed marketable securities considering expected inflation index of future cash flows. The effect of this application is accounted as interest received from marketable securities in the consolidated financial statements.

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.

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.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on impairment on 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 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.

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 June 2012 and do not exceed the ratios mentioned above, additional general loan loss provision has not been calculated.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**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.

**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 cancelling 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.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**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 1-15 years.

**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.



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIII. Explanations on tangible assets (continued)**

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	4-50	2-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

**XIV. Explanations on investment properties**

**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.

**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.

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XV. Explanations on leasing transactions (continued)**

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 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 Parent Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements, but on the other hand, if the inflow of the economic benefits of these assets to the Parent Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the 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 instalments 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 2011 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated February 2012, 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 currently enacted tax rates are used to determine deferred tax on income.

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.

**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.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIX. Additional explanations on borrowings (continued)**

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 share certificates issued**

In the current period, the Parent Bank's share capital has increased by TL 300.000. In the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011 and the remaining TL 163.000 will be incorporated from extraordinary reserves. The increase in paid-in capital has approved by the BRSA on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

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 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.

**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".

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	114.492	98.833	(8.107)	205.218
Net Fees and Commission Income	4.257	1.256	7.260	12.773
Other Income	11.002	4.880	69.417	85.299
Other Expense	(28.161)	(11.885)	(46.925)	(86.971)
Profit Before Tax	101.591	93.084	21.644	216.319
Tax Provision				(41.191)
<b>Net Profit</b>				<b>175.128</b>
Group's profit / loss				169.571
Non-controlling interest				5.354
<b>Current Period</b>				
Segment Assets	6.435.762	3.348.189	317.705	10.101.656
Investment in Associates and Subsidiaries	-	-	200.591	200.591
<b>Total Assets</b>	<b>6.435.762</b>	<b>3.348.189</b>	<b>518.296</b>	<b>10.302.247</b>
Segment Liabilities	6.299.046	2.043.964	246.376	8.589.386
Shareholder's Equity	-	-	1.712.861	1.712.861
<b>Total Liabilities</b>	<b>6.299.046</b>	<b>2.043.964</b>	<b>1.959.237</b>	<b>10.302.247</b>

<b>Prior Period (*)</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	99.976	65.963	1.751	167.690
Net Fees and Commission Income	2.799	2.000	10.874	15.673
Other Income	7.749	37	19.825	27.611
Other Expense	(25.792)	(13.387)	(22.132)	(61.311)
Profit Before Tax	84.732	54.613	10.318	149.663
Tax Provision				(30.392)
<b>Net Profit</b>				<b>119.271</b>
Group's profit / loss				122.290
Non-controlling interest				(3.019)
<b>Prior Period (**)</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	6.295.356	3.249.863	396.000	9.941.219
Investment in Associates and Subsidiaries	-	-	192.415	192.415
<b>Total Assets</b>	<b>6.295.356</b>	<b>3.249.863</b>	<b>588.415</b>	<b>10.133.634</b>
Segment Liabilities	6.490.125	1.807.516	278.892	8.576.533
Shareholder's Equity	-	-	1.557.101	1.557.101
<b>Total Liabilities</b>	<b>6.490.125</b>	<b>1.807.516</b>	<b>1.835.993</b>	<b>10.133.634</b>

(\*) The information is related to 30 June 2011.

(\*\*) The information is related to 31 December 2011.

**XXIV. Explanations on other matters**

None.

**XXV. Classifications**

The Parent Bank makes classifications in financial statements of prior years, for comparability reasons when necessary.

In the current period, provision expenses related to bonus provision in "Provision expenses related to loans and other receivables" as of 30 June 2011 has been classified to personnel expenses in "Other operation expenses".

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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 19,56% as at 30 June 2012 (31 December 2011: 18,17%). 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>189.855</b>	-	<b>536.388</b>	<b>1.341.133</b>	<b>4.975.666</b>	<b>13</b>	-
Cash	239	-	-	-	-	-	-
Matured Marketable Securities	88	-	-	-	-	-	-
Due From Central Bank of Turkey	42.416	-	-	-	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	-	24.861	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	-	-	-	-	-	-	-
Reserve Deposits	139.106	-	-	-	-	-	-
Loans	-	-	494.127	1.271.920	4.541.413	13	-
Non-performing Loans (Net)	-	-	-	-	-	-	-
Financial Lease Receivables	-	-	3.391	2.123	10.011	-	-
Available-for-Sale Financial Assets	-	-	-	-	-	-	-
Held to Maturity Investments	-	-	-	-	-	-	-
Receivables from Instalment Sales of Assets	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	7.959	-	504	-	-
Interest and Income Accruals	-	-	6.050	67.090	147.085	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) (Net)	-	-	-	-	250.097	-	-
Tangible Assets	-	-	-	-	7.994	-	-
Other Assets	8.006	-	-	-	18.562	-	-
<b>Off-Balance Sheet Items</b>	<b>22.184</b>	-	<b>212.826</b>	<b>56.936</b>	<b>952.028</b>	-	-
Guarantees and Commitments	22.184	-	172.431	56.936	929.057	-	-
Derivative Financial Instruments	-	-	40.395	-	22.971	-	-
<b>Non Risk Weighted Accounts</b>	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>212.039</b>	-	<b>749.214</b>	<b>1.398.069</b>	<b>5.927.694</b>	<b>13</b>	-

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**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>205.603</b>	-	<b>854.018</b>	<b>1.216.587</b>	<b>5.001.910</b>	<b>13</b>	-
Cash	300	-	-	-	-	-	-
Matured Marketable Securities	88	-	-	-	-	-	-
Due From Central Bank of Turkey	42.416	-	-	-	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	-	341.817	-	-	-	-
Interbank Money Market Placements	797	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	267	-	-	-	-	-	-
Reserve Deposits	139.106	-	-	-	-	-	-
Loans	-	-	494.127	1.165.308	4.558.813	13	-
Non-performing Loans (Net)	-	-	-	-	-	-	-
Financial Lease Receivables	-	-	3.391	2.123	10.011	-	-
Available-for-Sale Financial Assets	-	-	-	-	-	-	-
Held to Maturity Investments	-	-	-	-	-	-	-
Receivables from Instalment Sales of Assets	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	7.959	-	12.076	-	-
Interest and Income Accruals	1	-	6.724	49.156	147.085	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) (Net)	-	-	-	-	2.243	-	-
Tangible Assets	-	-	-	-	251.752	-	-
Other Assets	22.628	-	-	-	19.930	-	-
<b>Off-Balance Sheet Items</b>	<b>22.613</b>	-	<b>281.024</b>	<b>56.936</b>	<b>1.001.599</b>	-	-
Guarantees and Commitments	22.613	-	234.851	56.936	978.628	-	-
Derivative Financial Instruments	-	-	46.173	-	22.971	-	-
<b>Non Risk Weighted Accounts</b>		-				-	-
<b>Total Risk Weighted Assets</b>	<b>228.216</b>	-	<b>1.135.042</b>	<b>1.273.523</b>	<b>6.003.509</b>	<b>13</b>	-

**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)	6.776.591	6.867.298	6.784.748	6.956.797
Amount Subject to Market Risk (ASMR)	643.838	756.738	541.813	642.238
Amount Subject to Operational Risk (ASOR)	633.655	703.358	533.236	590.624
Shareholders' Equity	1.626.071	1.628.839	1.499.272	1.488.311
<b>Shareholders' Equity / (TRWA + ASMR + ASOR) 100</b>	<b>20,19</b>	<b>19,56</b>	<b>19,08</b>	<b>18,17</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	1.100.000	1.100.000	800.000	800.000
Nominal Capital	1.100.000	1.100.000	800.000	800.000
Capital Commitments (-)	-	-	-	-
Inflation Adjustment to Share Capital	374	374	374	374
Share Premium	-	413	-	413
Share Cancellation Profits	-	-	-	-
Legal Reserves	122.876	125.911	95.361	97.975
First Legal Reserve (Turkish Commercial Code 466/1)	60.277	62.938	47.510	49.750
Second Legal Reserve (Turkish Commercial Code 466/2)	62.599	62.922	47.851	48.174
Other Legal Reserve per Special Legislation	-	51	-	51
Status Reserves	60.277	60.277	47.510	47.510
Extraordinary Reserves	4.068	15.860	143.295	155.087
Reserves Allocated by the General Assembly	1.148	12.940	140.375	152.167
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	172.923	224.628	255.342	310.617
Current Period Profit	172.923	169.774	255.342	260.763
Prior Years' Profits	-	54.854	-	49.854
Provisions for Possible Losses up to 25% of Core Capital	-	-	-	-
Gains on Sale of Associates and Subsidiaries and Properties to be Added to Capital	35.157	35.157	31.174	31.174
Primary Subordinated Loans up to 15% of the Core Capital	-	-	-	-
Non-Controlling Interest	-	102.145	-	96.791
Losses that cannot be Covered by Reserves (-)	-	-	-	-
Net Current Period Loss	-	-	-	-
Prior Years' Losses	-	-	-	-
Leasehold Improvements (-)	(254)	(701)	(229)	(506)
Intangible Assets (-)	(569)	(954)	(452)	(865)
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>1.494.852</b>	<b>1.662.105</b>	<b>1.372.375</b>	<b>1.537.565</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 (continued)**

	Current Period		Prior Period	
	Parent Bank	Consolidated	Parent Bank	Consolidated
<b>SUPPLEMENTARY CAPITAL</b>				
General Loan Loss Provisions	78.606	72.023	64.564	58.491
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 (*)	71.800	71.800	75.400	75.400
45% of the Marketable Securities Value Increase Fund (**)	(18.803)	21.643	(12.672)	7.722
Associates and Subsidiaries	(38.364)	679	(17.070)	1.206
Available for Sale Securities	19.561	20.964	4.398	6.516
Indexation Differences for Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-	-	-
<b>Total Supplementary Capital</b>	<b>131.603</b>	<b>165.466</b>	<b>127.292</b>	<b>141.613</b>
<b>TIER III CAPITAL</b>	-	-	-	-
<b>CAPITAL</b>	<b>1.626.455</b>	<b>1.827.571</b>	<b>1.499.667</b>	<b>1.679.178</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(384)</b>	<b>(198.732)</b>	<b>(395)</b>	<b>(190.867)</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	-	(198.348)	-	(190.472)
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	(384)	(384)	(395)	(395)
Other	-	-	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1.626.071</b>	<b>1.628.839</b>	<b>1.499.272</b>	<b>1.488.311</b>

(\*) According to BRSA's "Regulation on Equity of Banks", 80 % amount of the Parent Bank's Subordinated Loan is included in the calculation of supplementary capital if the maturity of the subordinated loan is less than 5 years.

(\*\*) 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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**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	30.756
Resulting from Financial Instruments related to Interest Income	26.805
Resulting from Positions in Share Certificates, Investment Fund and Participation Certificates	3.951
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	18.056
Resulting from Financial Instruments related to Interest Income	14.230
Resulting from Positions in Share Certificates, Investment Fund and Participation Certificates	3.826
III) Capital Requirement to be Employed for Currency Risk - Standard Method	11.727
Capital Requirement	11.710
Capital Requirement Calculated for Options Subject to Foreign Currency Risk	17
(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)	60.539
<b>(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)</b>	<b>756.738</b>

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**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 June 2012	1,7950	2,2585	0,0226
<b><u>Prior Five Workdays:</u></b>			
29 June 2012	1,7950	2,2585	0,0226
28 June 2012	1,7900	2,2397	0,0225
27 June 2012	1,8000	2,2498	0,0227
26 June 2012	1,7994	2,2518	0,0226
25 June 2012	1,8050	2,2615	0,0225

Simple arithmetic thirty-day averages of the USD, EURO and YEN buying rates of the Parent Bank before the reporting date are TL 1,8072, 2,2665 and TL 0,0228; 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	110.145	31.494	-	31	141.670
Banks	5.395	300.215	35	1.336	306.981
Financial Assets at Fair Value Through Profit and Loss (*)	4.366	11.221	-	-	15.587
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	33.766	460.097	-	-	493.863
Loans (**)	2.743.926	3.509.558	-	-	6.253.484
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets (***)	17.853	11.132	-	4	28.989
<b>Total Assets</b>	<b>2.915.451</b>	<b>4.323.717</b>	<b>35</b>	<b>1.371</b>	<b>7.240.574</b>
<b>Liabilities</b>					
Bank Deposits	-	-	-	-	-
Foreign Currency Deposits	-	-	-	-	-
Money Market Borrowings	31.434	184.071	-	8	215.513
Funds Provided From Other Financial Institutions	3.019.391	3.731.136	-	-	6.750.527
Marketable Securities Issued	-	-	-	-	-
Miscellaneous Payables	3.829	14.663	-	123	18.615
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	9.501	12.103	-	1	21.605
<b>Total Liabilities</b>	<b>3.064.155</b>	<b>3.941.973</b>	<b>-</b>	<b>132</b>	<b>7.006.260</b>
<b>Net Balance Sheet Position</b>	<b>(148.704)</b>	<b>381.744</b>	<b>35</b>	<b>1.239</b>	<b>234.314</b>
<b>Net Off-Balance Sheet Position</b>	<b>22.846</b>	<b>(369.241)</b>	<b>-</b>	<b>-</b>	<b>(346.395)</b>
Financial Derivative Assets	195.504	167.178	-	4.146	366.828
Financial Derivative Liabilities	(172.658)	(536.419)	-	(4.146)	(713.223)
Non-Cash Loans (*****)	136.745	905.652	-	-	1.042.397
<b>Prior Period</b>					
Total Assets	2.912.023	4.409.835	399	2.154	7.324.411
Total Liabilities	3.226.280	3.863.055	-	1.006	7.090.341
<b>Net Balance Sheet Position</b>	<b>(314.257)</b>	<b>546.780</b>	<b>399</b>	<b>1.148</b>	<b>234.070</b>
<b>Net Off –Balance Sheet Position</b>	<b>225.591</b>	<b>(559.302)</b>	<b>(321)</b>	<b>-</b>	<b>(334.032)</b>
Financial Derivative Assets	747.673	327.183	568	2.386	1.077.810
Financial Derivative Liabilities	(522.082)	(886.485)	(889)	(2.386)	(1.411.842)
Non-Cash Loans (*****)	255.130	715.394	-	-	970.524

(\*) Exchange rate differences arising from derivative transactions amounting to TL 4.455 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(\*\*) Loans extended include TL 1.490.362 foreign currency indexed loans.

(\*\*\*) Prepaid expenses amounting to TL 11.313 have not been included in "Other Assets".

(\*\*\*\*) Marketable securities valuation increase fund amounting to TL 41.211 and exchange rate differences arising from derivative transactions amounting to TL 396 have not been included in "Other Liabilities". Borrower funds amounting TL 5.582 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)**

Current 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	-	-	-	-	-	181.910	181.910
Banks	23.812	291.568	-	-	-	27.111	342.491
Financial Assets at Fair Value Through Profit and Loss	11.185	13.282	28.540	10.325	9.543	15.226	88.101
Money Market Placements	1.064	-	-	-	-	-	1.064
Available-for-Sale Financial Assets	783.764	697.793	523.641	407.531	295.198	26.696	2.734.623
Loans	1.045.817	2.448.499	2.530.154	328.597	49.770	17.400	6.420.237
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (**)	12.626	9.502	2.879	551	-	508.263	533.821
<b>Total Assets</b>	<b>1.878.268</b>	<b>3.460.644</b>	<b>3.085.214</b>	<b>747.004</b>	<b>354.511</b>	<b>776.606</b>	<b>10.302.247</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.412.909	160.254	944	-	-	-	1.574.107
Miscellaneous Payables	-	-	-	-	-	95.463	95.463
Marketable Securities Issued	5	-	-	-	-	-	5
Funds Provided from Other Financial Institutions	2.137.440	3.011.495	1.283.702	69.964	247.926	-	6.750.527
Other Liabilities (***)	9.500	1.362	1.694	4.107	9.990	1.855.492	1.882.145
<b>Total Liabilities</b>	<b>3.559.854</b>	<b>3.173.111</b>	<b>1.286.340</b>	<b>74.071</b>	<b>257.916</b>	<b>1.950.955</b>	<b>10.302.247</b>
Balance Sheet Long Position	-	287.533	1.798.874	672.933	96.595	-	2.855.935
Balance Sheet Short Position	(1.681.586)	-	-	-	-	(1.174.349)	(2.855.935)
Off-Balance Sheet Long Position	42.428	78.098	66.130	-	-	-	186.656
Off-Balance Sheet Short Position	-	-	-	(114.123)	(55.826)	-	(169.949)
<b>Total Position</b>	<b>(1.639.158)</b>	<b>365.631</b>	<b>1.865.004</b>	<b>558.810</b>	<b>40.769</b>	<b>(1.174.349)</b>	<b>16.707</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.

(\*\*) Finance lease receivables amounting to TL 15.525 are presented in "Other Assets" on the basis of related maturities.

(\*\*\*) Borrower funds amounting to TL 8.282 are presented in "Other Liabilities" within 1-month maturity column.

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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	-	4,38	-	11,63
Financial Assets at Fair Value Through Profit and Loss	-	7,00	-	9,61
Money Market Placements	-	-	-	8,09
Available-for-Sale Financial Assets	5,59	6,43	-	10,53
Loans	4,27	4,23	-	12,22
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1,06	1,01	-	8,99
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	1,00	1,00	-	6,50
Funds Provided From Other Financial Institutions	1,44	1,19	-	-



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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	-	-	-	-	-	121.109	121.109
Banks	314.190	58.582	-	-	-	52.454	425.226
Financial Assets at Fair Value Through Profit and Loss	9.015	19.646	52.006	51.754	1.617	16.287	150.325
Money Market Placements	109.365	-	-	-	-	-	109.365
Available-for-Sale Financial Assets	772.132	497.600	304.502	429.135	286.982	26.532	2.316.883
Loans	1.272.101	2.389.602	2.155.005	366.888	68.492	14.868	6.266.956
Held-to-Maturity Investments	-	126.955	-	-	-	-	126.955
Other Assets (**)	57.908	16.781	6.549	1.138	-	534.439	616.815
<b>Total Assets</b>	<b>2.534.711</b>	<b>3.109.166</b>	<b>2.518.062</b>	<b>848.915</b>	<b>357.091</b>	<b>765.689</b>	<b>10.133.634</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.307.841	59.464	1.058	-	-	-	1.368.363
Miscellaneous Payables	43.136	-	-	-	-	105.524	148.660
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2.369.459	2.852.263	1.393.950	36.657	228.206	-	6.880.535
Other Liabilities (***)	20.260	11.490	12.480	6.323	6.084	1.679.439	1.736.076
<b>Total Liabilities</b>	<b>3.740.696</b>	<b>2.923.217</b>	<b>1.407.488</b>	<b>42.980</b>	<b>234.290</b>	<b>1.784.963</b>	<b>10.133.634</b>
Balance Sheet Long Position	-	185.949	1.110.574	805.935	122.801	-	2.225.259
Balance Sheet Short Position	(1.205.985)	-	-	-	-	(1.019.274)	(2.225.259)
Off-Balance Sheet Long Position	-	-	389.766	-	117.601	-	507.367
Off-Balance Sheet Short Position	(123.097)	(223.479)	-	(158.060)	-	-	(504.636)
<b>Total Position</b>	<b>(1.329.082)</b>	<b>(37.530)</b>	<b>1.500.340</b>	<b>647.875</b>	<b>240.402</b>	<b>(1.019.274)</b>	<b>2.731</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.

(\*\*) Finance lease receivables amounting to TL 28.400 are presented in "Other Assets" on the basis of related maturities.

(\*\*\*) Borrower funds amounting to TL 7.894 are presented in "Other Liabilities" within 1-month maturity column.

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**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	-	5,38	-	11,55
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,81
Money Market Placements	-	-	-	11,26
Available-for-Sale Financial Assets	6,03	5,79	-	9,09
Loans	4,88	4,05	4,96	13,07
Held-to-Maturity Investments	-	-	-	35,10
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1,02	1,78	-	7,99
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	1,00	1,00	-	6,50
Funds Provided from Other Financial Institutions	2,11	0,88	-	10,30

**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 favour 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**

	<b>Demand</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>Undistributed (*)</b>	<b>Total</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	42.804	107.693	-	-	31.413	-	-	181.910
Banks	27.111	23.812	291.568	-	-	-	-	342.491
Financial Assets at Fair Value Through Profit and Loss	15.226	1.849	7.607	31.656	17.652	14.111	-	88.101
Money Market Placements	-	1.064	-	-	-	-	-	1.064
Financial Assets Available-for-Sale	-	28	56.392	526.395	1.543.431	581.681	26.696	2.734.623
Loans	17.400	205.140	293.868	985.600	3.684.807	1.233.422	-	6.420.237
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (**)	-	10.978	2.808	5.748	6.421	-	507.866	533.821
<b>Total Assets</b>	<b>102.541</b>	<b>350.564</b>	<b>652.243</b>	<b>1.549.399</b>	<b>5.283.724</b>	<b>1.829.214</b>	<b>534.562</b>	<b>10.302.247</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	501.606	112.554	309.321	2.395.025	3.432.021	-	6.750.527
Money Market Borrowings	-	1.412.909	160.254	944	-	-	-	1.574.107
Securities Issued	-	5	-	-	-	-	-	5
Miscellaneous Payables	10.752	-	-	-	-	-	84.711	95.463
Other Liabilities (***)	-	9.562	1.375	1.694	4.107	9.990	1.855.417	1.882.145
<b>Total Liabilities</b>	<b>10.752</b>	<b>1.924.082</b>	<b>274.183</b>	<b>311.959</b>	<b>2.399.132</b>	<b>3.442.011</b>	<b>1.940.128</b>	<b>10.302.247</b>
<b>Liquidity Gap</b>	<b>91.789</b>	<b>(1.573.518)</b>	<b>378.060</b>	<b>1.237.440</b>	<b>2.884.592</b>	<b>(1.612.797)</b>	<b>(1.405.566)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	91.809	878.363	398.108	1.154.095	5.122.972	1.927.602	560.685	10.133.634
Total Liabilities	13.682	1.752.632	189.357	569.319	2.461.041	3.376.315	1.771.288	10.133.634
<b>Liquidity Gap</b>	<b>78.127</b>	<b>(874.269)</b>	<b>208.751</b>	<b>584.776</b>	<b>2.661.931</b>	<b>(1.448.713)</b>	<b>(1.210.603)</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.

(\*\*) Finance lease receivables amounting to TL 15.525 are presented in "Other Assets" on the basis of related maturities.

(\*\*\*) Borrower funds amounting to TL 8.282 are presented in "Other Liabilities" within 1-month maturity column.

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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	129	171	190	157
Balances with the Central Bank of Turkey	40.023	141.499	5.267	115.495
Other	88	-	-	-
<b>Total</b>	<b>40.240</b>	<b>141.670</b>	<b>5.457</b>	<b>115.652</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	40.023	2.393	5.267	2.586
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	139.106	-	112.909
<b>Total</b>	<b>40.023</b>	<b>141.499</b>	<b>5.267</b>	<b>115.495</b>

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

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2005/1”, banks operating in Turkey are required to maintain reserves in CBRT in TL for TL liabilities and in USD or Euro for foreign currency liabilities. With the changes made in the “Communiqué Regarding the Reserve Requirement” the upper limit of the above-mentioned facility has been raised to 45 percent, and the banks are allowed to hold Turkish Lira reserve requirements in USD and/or Euro over the total amount calculated by multiplying the first tranche corresponding to 40 percent of Turkish lira reserve requirements by a coefficient of “1”, as previously, and the second tranche corresponding to 5 percent of Turkish lira reserve requirements multiplied by a coefficient of “1,4” effective as of the calculation period dated 31 May 2012.

It has been decided to raise the upper limit of the above mentioned facility to 50 percent. The first tranche corresponding to 40 percent of Turkish Lira reserve requirements by a coefficient of “1”, and the second tranche corresponding to 5 percent of Turkish Lira reserve requirements multiplied by a coefficient of “1,4”, the third tranche of this facility corresponding to the additional 5 percent will be maintained in USD and/or Euro over the total amount calculated by multiplying by a coefficient of “1,7” effective from the calculation period dated 22 June 2012. In accordance with the “Communiqué Regarding the Reserve Requirements No. 2012/3, published on dated 28 March 2012 and No 28247, the upper limit for standard gold reserves that may be held to meet Turkish Lira reserve requirements has now been raised from 10 % to 20 %, while the limit for standard gold reserves that may be held to meet reserve requirements for foreign currency liabilities excluding precious metal deposit accounts has this time been decreased from 10 % to 0 %. The new regulation will be effective as of the calculation period dated 30 March 2012 and the maintenance period will begin on 13 April 2012.

The reserve rates for TL liabilities are between 5% and 11% for TL deposits according to their maturities as of 30 June 2012 (31 December 2011: 5% and 11% for all TL liabilities). The reserve rates for foreign currency liabilities are between 6% and 11% for all foreign currency liabilities according to their maturities as of 30 June 2012 (31 December 2011: 6% and 11% for all foreign currency liabilities).

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**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

(Continued)

**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 8.358 (31 December 2011: TL 6.905).

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

As of the reporting date, the Group has securities subject to repurchase agreements amounted to TL 267 (31 December 2011: TL 273).

**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 2011: 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 2011: None).

**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	2.205	2.268	6.507	7.458
Swap Transactions	6.024	14.941	5.094	8.354
Futures Transactions	-	-	-	-
Options	-	1.749	-	17.940
Other	-	-	-	-
<b>Total</b>	<b>8.229</b>	<b>19.358</b>	<b>11.601</b>	<b>33.752</b>

**3. Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	35.510	286.895	19.045	363.000
Foreign	-	20.086	-	43.181
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>35.510</b>	<b>306.981</b>	<b>19.045</b>	<b>406.181</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)**

**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	1.137.017	-	642.410	55.757
Treasury bills	-	-	-	-
Other public sector debt securities	-	272.861	-	144.927
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1.137.017</b>	<b>272.861</b>	<b>642.410</b>	<b>200.684</b>

**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 384.578 (31 December 2011: TL 523.961).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	384.578	-	444.429	79.532
Other	-	-	-	-
<b>Total</b>	<b>384.578</b>	<b>-</b>	<b>444.429</b>	<b>79.532</b>

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

Available for sale financial assets comprise government bonds 73,58%, Eurobonds 11,75%, and shares and other securities 14,67% (31 December 2011: government bonds 72,29%, Eurobonds 13,89% and shares and other securities 13,82%).

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	2.709.879	2.304.272
Quoted on a stock exchange	2.218.114	1.791.047
Unquoted	491.765	513.225
Share certificates	37.364	38.639
Quoted on a stock exchange	6.818	8.093
Unquoted	30.546	30.546
Impairment provision(-)	(12.620)	(26.028)
Other	-	-
<b>Total</b>	<b>2.734.623</b>	<b>2.316.883</b>

Net book value of unquoted available for sale share certificates is TL 21.756 (31 December 2011: TL 21.756).

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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	181.217	117.413	101.924	117.413
Corporate shareholders	181.217	117.413	101.924	117.413
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	150	-	182	-
<b>Total</b>	<b>181.367</b>	<b>117.413</b>	<b>102.106</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	6.365.600	-	27.744	9.493
Discount notes	-	-	-	-
Export loans	193.468	-	-	-
Import loans	-	-	-	-
Investment loans	3.788.494	-	14.702	8.480
Loans given to financial sector	830.789	-	-	-
Foreign loans	20.112	-	-	-
Consumer loans	150	-	-	-
Credit cards	-	-	-	-
Precious metals loans	-	-	-	-
Other	1.532.587	-	13.042	1.013
Specialized loans	-	-	-	-
Other receivables	17.400	-	-	-
<b>Total</b>	<b>6.383.000</b>	<b>-</b>	<b>27.744</b>	<b>9.493</b>

(\*) The Parent Bank's finance lease receivables are TL 15.525 (31 December 2011: TL 28.400) and TL 2.265 (31 December 2011: TL 3.748) of the finance lease receivables are closed monitored.

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

	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
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 Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	133	17	150
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	133	17	150
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 Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>133</b>	<b>17</b>	<b>150</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 instalments and corporate credit cards:**

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2011: None).

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

	Current Period	Prior Period
Domestic Loans	6.400.125	6.245.491
Foreign Loans	20.112	21.465
<b>Total</b>	<b>6.420.237</b>	<b>6.266.956</b>

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

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	90.056	85.465
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>90.056</b>	<b>85.465</b>

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

	Current Period	Prior Period
Loans and receivables with limited collectability	59	5.313
Loans and receivables with doubtful collectability	5.978	5.978
Uncollectible loans and receivables	15.952	16.407
<b>Total</b>	<b>21.989</b>	<b>27.698</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 Collectability	Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross amounts before provisions)	-	5.977	4.419
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.977	4.419
<b>Prior Period</b>			
(Gross amounts before provisions)	-	5.977	4.576
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.977	4.576

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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>	<b>5.313</b>	<b>5.978</b>	<b>16.407</b>
Additions (+)	59	-	357
Transfers from Other Categories of Non-performing Loans (+)	-	-	-
Transfers to Other Categories of Non-performing Loans (-)	-	-	-
Collections (-)(*)	(5.313)	-	(812)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period Ending Balance</b>	<b>59</b>	<b>5.978</b>	<b>15.952</b>
Specific Provisions (-)	(59)	(5.978)	(15.952)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Transfer to 2<sup>nd</sup> Group Receivables amounting to TL 4.443 is included in "Collections" line.

**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	56	5.977	5.426
Specific Provision (-)	(56)	(5.977)	(5.426)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period</b>			
Period End Balance	3.306	5.977	5.426
Specific Provision (-)	(3.306)	(5.977)	(5.426)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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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.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 Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	59	5.978	10.609
Specific Provision Amount (-)	(59)	(5.978)	(10.609)
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)	5.313	5.978	10.522
Specific Provision Amount (-)	(5.313)	(5.978)	(10.522)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	5.885
Specific Provision Amount (-)	-	-	(5.885)
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 2011: None).

**6.a.2** As of the reporting date, the Group has no investment securities held-to-maturity subject to repurchase transactions (31 December 2011: TL 124.046).

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

As of the reporting date, the Group has no investment securities held-to-maturity (31 December 2011: TL 126.955).

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

	Current Period	Prior Period
Debt Instrument	-	126.955
Quoted	-	126.955
Unquoted	-	-
Impairment Provision (-)	-	-
<b>Total</b>	-	<b>126.955</b>

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

	Current Period	Prior Period
Beginning balance	126.955	278.760
Foreign currency differences on monetary assets	-	-
Purchases during year	-	-
Disposals through sales and redemptions(*)	(126.955)	(182.973)
Impairment provision (-)	-	-
Closing Balance	-	95.787
Interest and Income Accruals and Discount	-	31.168
<b>Total</b>	-	<b>126.955</b>

(\*) The amount comprises of the Parent Bank's held to maturity investment that was redeemed on 15 February 2012.

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

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

	Title	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
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	20,00

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

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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.1 Information on unconsolidated associates (continued) :**

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
Terme (1)	17.708	3.562	712	86	-	(31)	575	-
Ege Tarım (2)	11.273	10.863	7.374	132	-	(229)	77	-

(1) Represents un-reviewed 31 March 2012 financial statements. Prior year profit/loss is obtained from un-audited 31 December 2011 financial statements.

(2) Represents un-reviewed 30 June 2012 financial statements. year profit/loss is obtained from un-audited 31 December 2011 financial statements.

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

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
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	57,36
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,67

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
İş Factoring (1)	683.612	54.295	655	22.526	15	(95)	8.236	-
İş Finansal (2)	1.610.326	505.595	1.059	54.733	763	20.628	46.030	96.656
İş Girişim (3)	238.193	192.561	6.428	-	-	12.842	42.023	19.610

(1) Represents un-reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from audited 31 December 2011 financial statements.

(2) Represents reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from audited 31 December 2011 consolidated financial statements. Fair value is presented as of 30 June 2012.

(3) Represents un-reviewed 31 March 2012 consolidated financial statements. Prior year profit/loss is obtained from audited 31 December 2011 financial statements. Fair value is presented as of 30 June 2012.

	Current Period	Prior Period
Balance at the Beginning of the Period	<b>190.472</b>	<b>173.600</b>
Movements During the Period	7.876	16.872
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	9.047	20.917
Sales	-	(986)
Revaluation Increase	(1.171)	-
Provision for Impairment	-	(3.059)
<b>Balance at the End of the Period</b>	<b>198.348</b>	<b>190.472</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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**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.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	23.953	23.370
Leasing Companies	144.556	138.305
Financial Service Companies	-	-
Other Associates	31.230	29.888

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

	<b>Current Period</b>	<b>Prior Period</b>
Associates Quoted on Domestic Stock Markets	174.395	167.102
Associates Quoted on Foreign Stock Markets	-	-

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

In the current period the Group has not disposed any associates.

In the prior period, publicly held shares of İş Finansal Kiralama A.Ş. amounting to TL 986 has been sold. In the prior period, the Parent Bank has sold Gözlük Sanayi A.Ş., with a non-controlling interest of 21,71% and net book value of TL 392, 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.

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

In the current period, the Parent Bank has obtained bonus shares of İş Finansal Kiralama A.Ş. amounting to TL 14.280 with capital increase of TL 50.000 and has obtained bonus shares of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. amounting to TL 1.260 with capital increase of TL 7.560. In the meeting of the General Assembly of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. held on 22 March 2012; it has been resolved that, paid-in capital of the Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. will be increased from TL 8.000 to TL 11.000 paid in cash and the Parent Bank has made a capital commitment with the shares of 10% amounting to TL 300 and has paid the amount on 1 June 2012.

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

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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)**

**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)	7.588	6.248	1.421	-	-	1.697	1.739	-
TG A.Ş. (2)	712	711	17	-	-	(70)	449	-
TGD A.Ş. (3)	382	348	26	-	-	(3)	32	-
SD A.Ş. (4)	362	310	19	-	-	35	(37)	-

(1) Represents un-reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from 31 December 2011 financial statements.

(2) Represents un-reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from 31 December 2011 financial statements.

(3) Represents un-reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from 31 December 2011 financial statements.

(4) Represents un-reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from 31 December 2011 financial statements.

**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	66,84

	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)	42.948	42.832	-	11	1.439	4.182	(3.527)	5.042
YF MEN.DEĞ. (2)	596.328	66.738	1.557	9.523	613	1.560	5.940	-
TSKB GYO (3)	345.793	227.379	321.960	806	-	9.283	(2.838)	57.525

(1) Represents reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from audited 31 December 2011 financial statements. Fair value is presented as of 30 June 2012.

(2) Represents reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from audited 31 December 2011 financial statements.

(3) Represents reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from audited 31 December 2011 financial statements. Fair value is presented as of 30 June 2012.

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**(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)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the Beginning of the Period</b>	<b>195.434</b>	<b>187.772</b>
Movements During the Period	7.184	7.662
Purchases	-	-
Bonus Shares Obtained	7.184	7.662
Current Year Shares of Profit	-	-
Sales	-	-
Revaluation Increase	-	-
Provision for Impairment	-	-
<b>Balance At the End of the Period</b>	<b>202.618</b>	<b>195.434</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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:**

	<b>Current Period</b>	<b>Prior Period</b>
Subsidiaries		
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Subsidiaries	203.460	196.276

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

As of 30 June 2012, the fair value of the Group's subsidiaries quoted on the stock exchange is TL 62.567 (31 December 2011: TL 57.749).

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

The Parent Bank has not sold any subsidiary in the current period (31 December 2011: None).

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

In the current period, the Parent Bank has obtained bonus shares of Yatırım Finansman Menkul Değerler A.Ş., amounting to TL 7.184 with a capital increase of TL 7.500.

In the prior 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.



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

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

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.

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Adana Hotel Project	7.047	(20)	6.111	-	-	27	(1)	-

(1) Represents un-reviewed 30 June 2012 financial statements. Prior year profit/loss is obtained from un-reviewed 30 June 2011 financial statements.

**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	9.534	9.104	726	711
Between 1- 4 years	6.573	6.421	28.851	27.689
More than 4 years	-	-	-	-
<b>Total</b>	<b>16.107</b>	<b>15.525</b>	<b>29.577</b>	<b>28.400</b>

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

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>16.107</b>	<b>29.577</b>
Unearned revenue from finance leases (-)	(582)	(1.177)
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>15.525</b>	<b>28.400</b>

**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 2011: None).

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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)**

**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 2011: None).

**12. Information on investment properties**

In the current period, the Parent Bank has three investment properties with a net book value of TL 228.600 belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. (31 December 2011: TL 226.805).

**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>
Loan commissions accrual adjustment	12.352	12.090
Other provisions	7.665	8.174
Employee benefit provision	1.384	1.172
Marketable securities	-	1.131
Useful life difference of fixed assets	36	-
Other	2.439	1.642
<b>Total Deferred Tax Asset</b>	<b>23.876</b>	<b>24.209</b>
<b>Deferred tax liabilities:</b>		
Marketable securities	(9.035)	(4.902)
Borrowings commissions accrual adjustment	(2.230)	(1.832)
Derivative instrument accruals	(3.072)	(1.076)
Useful life difference of fixed assets	(752)	(735)
<b>Total Deferred Tax Liability</b>	<b>(15.089)</b>	<b>(8.545)</b>
<b>Net Deferred Tax Asset</b>	<b>8.787</b>	<b>15.664</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 2011: 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 2011: None).

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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)**

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

In the current period, the Parent Bank has no assets held for sale (31 December 2011: 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 2011: 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	1.952	354	6.119	6.451
Swap Transactions	-	14.154	351	17.882
Futures Transactions	-	-	-	-
Options	-	1.911	-	17.940
Other	-	-	-	-
<b>Total</b>	<b>1.952</b>	<b>16.419</b>	<b>6.470</b>	<b>42.273</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	-	453.847	10.006	232.836
From Foreign Banks, Institutions and Funds	-	6.206.190	13.757	6.528.936
<b>Total</b>	<b>-</b>	<b>6.660.037</b>	<b>23.763</b>	<b>6.761.772</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	446.985	23.763	533.785
Medium and long-term	-	6.213.052	-	6.227.987
<b>Total</b>	<b>-</b>	<b>6.660.037</b>	<b>23.763</b>	<b>6.761.772</b>

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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 2011: None).

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

**5.a The general explanations on criteria used in determining instalments 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 the Parent Bank's associate İş Finansal Kiralama A.Ş. The lease agreements are paid in equal instalments. 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	-	-	-	-
Between 1- 4 years	2	-	2	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>2</b>	<b>-</b>	<b>2</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, 30 cars are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2011: 1 head office, 13 branches and 27 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 2011: 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 2011: 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>72.023</b>	<b>58.491</b>
Provisions for First Group Loans and Receivables	63.122	51.699
Provisions for Second Group Loans and Receivables	735	994
Provisions for Non-Cash Loans	2.689	2.220
Other	5.477	3.578

**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 13.416 (31 December 2011: TL 1.199). 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 (*)	37.898	40.320
<b>Total</b>	<b>37.898</b>	<b>40.320</b>

(\*) Other provision account includes TL 35.000 of provision for possible risks on credit portfolio in the future (31 December 2011: TL 40.000).

**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 89.750). The interest accrued on this loan is TL 740 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 (0,73+3,25 spread) 3,98%. 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 (*)	21.455	-	13.583	-
Deferred Tax Liability	-	-	-	-
<b>Total</b>	<b>21.455</b>	<b>-</b>	<b>13.583</b>	<b>-</b>

(\*) In the current period, Corporate Tax Provision is TL 42.172 and netted off from Prepaid Tax of TL 20.717 (31 December 2011: Corporate Tax Provision is TL 49.201 and netted off from Prepaid Tax of TL 35.618).

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

As of the reporting date, the Group has no deferred tax liability (31 December 2011: None).

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

	Current Period	Prior Period
Corporate Taxes Payable	21.455	13.583
Taxation of Securities	1.650	1.276
Property Tax	-	-
Banking and Insurance Transaction Tax (BITT)	1.027	1.073
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	114	112
Other	886	1.391
<b>Total</b>	<b>25.132</b>	<b>17.435</b>

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

	Current Period	Prior Period
Social Security Premiums-Employee	11	80
Social Security Premiums-Employer	13	84
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	28	23
Unemployment Insurance-Employer	195	46
Other	-	-
<b>Total</b>	<b>247</b>	<b>233</b>

**10. Information on shareholders' equity**

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

	Current Period	Prior Period
Common Stock	1.100.000	800.000
Preferred Stock	-	-

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

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

**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:**

Capital System	Paid-in Capital	Ceiling
Registered Capital System	1.100.000	2.500.000

It is accepted to increase the Parent Bank's registered capital from TL 1.000.000 to TL 2.500.000 and in this context it is accepted to change the 5th clause of the Bank's main agreement. According to Banking Regulation and Supervision Agency's article dated 19 January 2012, numbered 1468 and in accordance with Capital Market Law's 11th article numbered 2499, the registered capital increase request of the Bank is approved by Capital Markets Board of Turkey, published in Turkish Trade Registry Gazette dated 5 April 2012 and numbered 8042.

**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 300.000. In the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011 and the remaining TL 163.000 will be incorporated from extraordinary reserves. The increase in paid-in capital has approved by the BRSA on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

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 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.

**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 2011: 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.

**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



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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.

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

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

**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	1.509	-	2.680	-
Valuation Differences	5.376	41.211	(5.526)	20.006
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>6.885</b>	<b>41.211</b>	<b>(2.846)</b>	<b>20.006</b>

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

	Current Period	Prior Period
Paid-in-Capital	68.777	68.461
Share Premium	228	228
Securities Value Increase Fund	-	-
Legal Reserves	915	897
Extraordinary Reserves	7.121	7.121
Other Profit Reserves	-	-
Retained Earnings / Accumulated Losses	19.750	22.227
Net Profit or Loss	5.354	(2.143)
<b>Total</b>	<b>102.145</b>	<b>96.791</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 659.820 (31 December 2011: TL 555.929).

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

As of reporting date, total letters of guarantee given by the Parent Bank is TL 665.032 (31 December 2011: TL 689.477).

**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	1.348.664	1.268.979
<b>Total</b>	<b>1.348.664</b>	<b>1.268.979</b>

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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)**

**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	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industrial	159.189	52	1.026.642	99	151.208	51	948.748	97
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	4.393	1	284.262	27	4.391	1	272.765	28
Electricity, Gas, Water	154.796	51	742.380	72	146.817	50	675.983	69
Construction	4.285	1	4.517	-	4.785	2	4.882	1
Services	138.785	46	11.238	1	138.454	46	16.894	2
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	138.365	46	10.770	1	138.131	46	16.400	2
Real Estate and Leasing Services	420	-	468	-	323	-	494	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	4.008	1	-	-	4.008	1	-	-
<b>Total</b>	<b>306.267</b>	<b>100</b>	<b>1.042.397</b>	<b>100</b>	<b>298.455</b>	<b>100</b>	<b>970.524</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	306.267	1.042.397	298.455	970.524	-	-	-	-
Letters of Guarantee	285.629	379.403	278.215	411.262	-	-	-	-
Bank Acceptances	-	3.174	-	3.333	-	-	-	-
Letters of Credit	-	659.820	-	555.929	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	20.638	-	20.240	-	-	-	-	-

**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 27 legal cases against the Group which are amounting to TL 866 as of the reporting date (31 December 2011: TL 399, 18 legal cases).

There is a lawsuit for the cancellation of the licence of construction dated 16 July 2008 numbered 1120 given for the Pendorya Mall of TSKB GYO registered in Pendik, Doğu District, plot 105, map 865, parcel 64 and related zoning plan dated 6 November 2007 scaled 1/1000 and for motion for stay of execution against Pendik Mayorality. TSKB GYO is also involved in the instant case and Istanbul 9th Administrative Court ordered the cancellation of the licence and zoning plan with a right of appeal. As a result of the appeal, Council of State also approved the resolution of the Court on 1 December 2011.

In addition, seeking the cancellation of the 1/1000 scaled zoning plan dated 6 November 2007 by the decision of 9th Administrative Court, the plaintiff also filed a lawsuit against Pendik Municipality on the Istanbul 3rd Administrative Court (“the Court”) in order to demand grant a stay of execution suspending the cancellation of the construction and occupancy permits dated 4 December 2009 numbered 101 and 14 December 2009 dated 104 numbered given for Pendorya Mall. The Court issued a stay of execution on 31 December 2010 regarding related occupancy permits and the Court decided on 22 September 2011 to set aside the decision of the case on the basis of that cancellation of the construction licence dated 16 July 2008 numbered 1120 given to TSKB GYO for Pendorya Mall with 4 November 2010 dated resolution is due to the cancellation of 1/1000 scaled Zoning Plan. TSKB GYO, involved in the position to demand the motion for stay of execution of the mentioned cancellation resolution of the Court and has presented the petition of appeal to the Council of State on 4 November 2011.

Development functions and construction conditions of the real estates (land use decisions) are permitted by the Zoning Plan. New 1/5000 scaled, 25 December 2010 dated Zoning Plan for the area where Pendorya Shopping Mall is located, has become effective. According to the New 1/5000 scaled Zoning Plan, the related real estate’s functions has been preserved.

In accordance with the new zoning plan, 1/1000 scaled zoning plan has been prepared by Pendik Municipality and approved by the Pendik Municipality Council at 7 October 2011. Subsequent to the approval of 1/1000 scaled zoning plan by Istanbul Metropolitan Municipality, the Pendorya Mall’s both construction licence and occupancy permit renewal application will be made.

Pendorya Mall was built in accordance with the 1/1000 scaled Zoning Plan that was in force at the date of construction and both construction licence and occupancy permits had been obtained in regular form at same date. Land amendment transactions are also completed accordingly. Land Registry records were still registered as a shopping center. Therefore, it is not expected that there will be a problem relating with the existing construction licence, new licence demand or operations of Pendorya Mall.

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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**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	6.050	4.682	9.497	2.805
Medium and Long Term Loans	37.821	111.855	34.040	79.488
Interest on Non-performing Loans	219	329	6.256	1.740
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>44.090</b>	<b>116.866</b>	<b>49.793</b>	<b>84.033</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	8.443	220	19.125	38
Foreign Banks	1	-	-	36
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>8.444</b>	<b>220</b>	<b>19.125</b>	<b>74</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	3.084	-	2.941	1
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	104.945	14.534	64.186	12.692
Investments Held to Maturity	7.693	-	17.969	-
<b>Total</b>	<b>115.722</b>	<b>14.534</b>	<b>85.096</b>	<b>12.693</b>

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	1.405	777

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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	481	3.052	825	2.967
The Central Bank of Turkey	-	-	393	-
Domestic Banks	461	303	431	392
Foreign Banks	20	2.749	1	2.575
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions (*)	-	43.560	-	30.815
<b>Total</b>	<b>481</b>	<b>46.612</b>	<b>825</b>	<b>33.782</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>283.389</b>	<b>299.486</b>
Gains on capital market operations	5.162	4.663
Gains on derivative financial instruments (*)	106.726	97.080
Foreign exchange gains	171.501	197.743
<b>Losses (-)</b>	<b>(255.471)</b>	<b>(308.767)</b>
Losses on capital market operations	(1.637)	(5.151)
Losses on derivative financial instruments (*)	(72.038)	(97.202)
Foreign exchange losses	(181.796)	(206.414)

(\*) Foreign exchange gain from derivative transactions amounting to TL 75.954 is presented in "Profit on derivative financial instruments" (30 June 2011: 56.173 TL ), foreign exchange loss from derivative transactions amounting to TL (40.913) is presented in "Losses on derivative financial instruments" (30 June 2011: TL (47.742)).

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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	12.104	7.738
Gains on Sale of Assets	483	4.293
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	456	-
From Property Sales	27	-
From Other Asset Sales	-	4.293
Other	7.817	5.837
<b>Total</b>	<b>20.404</b>	<b>17.868</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	416	148
III. Group	59	-
IV. Group	-	-
V. Group	357	148
General provision expenses	13.532	6.497
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	912	2.517
Trading securities	404	1.356
Investment securities available for sale	508	1.161
Impairment provisions	-	162
Associates	-	162
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	-	-
Other	-	10
<b>Total</b>	<b>14.860</b>	<b>9.334</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	29.516	28.501
Reserve for employee termination benefits	456	161
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	1.221	1.165
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	176	191
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	10	30
Depreciation expenses of assets held for resale	5	585
Impairment expenses of assets held for sale	-	-
Other operating expenses	11.490	8.930
Rent expenses	1.523	1.376
Maintenance expenses	809	672
Advertisement expenses	816	945
Other expenses	8.342	5.937
Loss on sale of assets	-	-
Other	6.918	9.413
<b>Total</b>	<b>49.792</b>	<b>48.976</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 42.172 (30 June 2011: TL 25.295). Deferred tax benefit is TL 981 (30 June 2011: TL 5.097 tax charge).

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

Deferred tax benefit calculated on temporary differences is TL 981 (30 June 2011: TL 5.097 tax charge).

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

For the interim period ended 30 June 2012, deferred tax benefit calculated based on temporary timing differences is TL 981 (30 June 2011: TL 5.097 tax charge). There is no deferred tax benefit or charge reflected to income statement on carry forward tax losses, tax deductions and exceptions (30 June 2011: None).

In addition, TL 12.069 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 2011: TL 4.211).



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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 June 2012, profit before tax of the Group has increased by 44,54% compared to the prior year (30 June 2011: 3,58% decrease).

**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 306.673 interest income, TL 101.455 interest expenses, TL 12.773 net fee and commission income from banking operations (30 June 2011: TL 252.272 interest income, TL 84.582 interest expenses, TL 15.673 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 affecting the financial statement items.

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

The current period gain attributable to non-controlling interest is TL 5.354 (30 June 2011: TL (3.019) loss). The total shareholders' equity, including current year profit attributable to non-controlling interest is TL 102.145 (31 December 2011: TL 96.791).

**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	7.383	8.901
Commissions from Initial Public Offering	315	527
Investment Fund Management Income	1.053	2.739
Other	1.469	1.256
<b>Total</b>	<b>10.220</b>	<b>13.423</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	85.465	490	57.506	117.413	41.643	-
Balance at the end of the period	90.056	422	93.253	117.413	35.487	20.638
Interest and commission income	1.402	3	879	147	914	-

**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	59.853	345	98.978	117.413	39.538	-
Balance at the end of the period	85.465	490	57.506	117.413	41.643	-
Interest and commission income(*)	774	3	1.077	147	945	-

(\*) The information is related to 30 June 2011.

**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 not any derivative transactions with the Parent Bank's risk group.

**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 6.691 (30 June 2011: TL 6.065).

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**SECTION SIX**

**OTHER EXPLANATIONS**

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

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

**FITCH RATINGS**

Long-term Maturity Foreign Currency (issuer)	BB+
Long-term Maturity Foreign Currency Outlook (issuer)	Stable
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity National Currency (issuer)	BB+
Long-term Maturity National Currency Outlook (issuer)	Stable
Short-term Maturity National Currency (issuer)	B
Support Note	3
National Note	AA+
National Note Outlook	Stable

Information above is received from Fitch Ratings report dated 5 July 2012.

**MOODY'S**

Financial Rating Note	D+
<b><i>Foreign Currency (issuer)</i></b>	
Long-term Maturity	Baa3
Outlook	Stable
Short-term Maturity	P-3
<b><i>Domestic Currency (issuer)</i></b>	
Long-term Maturity	Baa3
Outlook	Stable
Short-term Maturity	P-3

Information above represents updated information as of 3 July 2012.

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

Subsequent to parallel implementation of BASEL II calculations of BRSA is complemented as at 30 June 2012, “consistent” application of BASEL II is initiated as at 1 July 2012. Regulations about BASEL II applications are published in the Official Gazette numbered 28337 dated 28 June 2012. Within the framework of the final Basel II regulation, the calculations starting as at 31 July 2012 will be reported to the BRSA August 2012.

In the Group A Privileged Shareholders General Assembly of TSKB Yatırım Ortaklığı A.Ş. dated 29 June 2012, it was decided TSKB Yatırım Ortaklığı A.Ş. to merge with İş Yatırım Ortaklığı Anonim Şirketi within the Turkish Commercial Code 451 and 19 and 20<sup>th</sup> clauses and within Communiqué on Principles Regarding Mergers, Serial: 1, No:31 of Capital Market Board (“CMB”). “The merger agreement” has been registered by Istanbul Trade Registry Office on 16 July 2012 and has been published in the Trade Registry Gazette numbered 8116, dated 20 July 2012.

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**OTHER EXPLANATIONS (Continued)**

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

As published in the Official Gazette No. 28373 dated 3 August 2012, changes below effective from 17 August 2012 are made to the Communiqué on the Statutory Reserve Requirements:

- i. 50 percent of the FC reserves held for TL reserve requirements is mandatory to be kept in USD. The rest may be held as either EUR or USD.
- ii. The TL amount of the FC reserve deposits must be valued by the buying FX rates published in the Official Gazette as of the calculation date of the reserves.
- iii. The short amount not exceeding 5 percent of the TL reserve requirements for a given reserve period may be held in the next reserve period. The excessive amount not exceeding 5 percent of the TL reserve requirements for a given reserve period may be deducted from the reserves for the next period.

**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 June 2012 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 8 August 2012 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.